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THE ECONOMIC JOURNAL

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. PUBLIC LABOUR EXCHANGES IN GERMANY.

DURING the years 1893-4 both Great Britain and Germany passed through a period of commercial and industrial depression. In each country the question of unemployment was much to the fore. The net result in Great Britain was the appointment of a House of Commons Select Committee, which did not report, and the acquisition of much negative experience as to the value of stoneyards and temporary relief works. In Germany the interest then roused gave the impulse to an enduring movement which, while it has not solved the unemployed problem, has at least put that country a long step in advance towards its solution. In the Report upon Agencies and Methods for dealing with the Unemployed, compiled by the Board of Trade in 1893, no mention is made of labour registries in Germany at all. In the Report upon Agencies and Methods in certain Foreign Countries, published in 1904, the labour registry is already described as being "of all the institutions established with the object of dealing with the unemployed in the German Empire, that which possesses on the whole the greatest interest." Since the date of that report these institutions have multiplied and developed with extreme rapidity on the crest of a wave of prosperity and with the general support of public opinion. The Imperial Statistical Office now receives regular returns from over seven hundred registries or Exchanges (*Arbeitsnachweise*), filling from a hundred and fifty to a hundred and eighty thousand situations a month.

The Labour Exchanges covered by these returns are of several
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distinct types. The following table, compiled from the recent Report of the Imperial Statistical Office on unemployed insurance, indicates the principal types and their relative importance. In addition to these there are many smaller and more specialised types, either dealing with particular classes of persons—discharged prisoners, cripples, convalescents, reservists—or attached to particular institutions—shelters, labour colonies, common lodging-houses. There are, of course, also the registry offices conducted for private profit and still supplying the bulk of domestic servants. These last are not included in any of the tables or general figures given here or below.

Type of Exchange.	Number of Exchanges.	Estimated number of Situations filled (1904).
1. Public General	400	550,000
2. Employers'	30	290,000
3. Guild	2,400	213,000
4. Employees'	1,000	120,000
5. Employers and Employees' Joint Management	60	51,000
6. Chambers of Agriculture	11	50,000
7. Commercial (i.e. for clerks, travellers, &c.)	60	25,000

All these Exchanges have the common object of putting would-be employers and employed into immediate communication. They may, according to the nature of the authority or association maintaining them, have also a further object. The employers' Exchanges—institutions maintained by associations of employers—are more or less openly means of combating trade unionism, or even boycotting individual "agitators." The employees' (trade union) Exchanges have, of course, a directly contrary object. The Exchanges set up by the Chambers of Agriculture are a special development to provide against the chronic shortage of rural labour, especially in Eastern Prussia. The guild registries or Exchanges are maintained—for the most part somewhat perfunctorily—as part of the statutory regulation and strengthening of small industry (*Handwerk*) against the large factory industry.

The Exchanges ranked as public and general are much the most important. They are also the most typical because most closely confined to the essential business of a Labour Exchange—that of supplying a known market-place for labour. The number of these Exchanges given in the table is indeed somewhat illusory. Many of the municipal Labour Exchanges of Germany are as dead as the deadest labour bureaux in Great Britain. There are, however, now not far short of a hundred and fifty public Labour Exchanges which may be regarded as alive; there is one in practically

every municipality of more than 50,000 inhabitants, and in very many smaller ones. These institutions—which alone form the subject of the present article—are of two main types. They may be purely municipal or they may be maintained by voluntary associations with varying degrees of municipal recognition and support. The table below includes twelve of the most important. Their nature will be best understood from the subsequent detailed description of one or two of them :—

PRINCIPAL PUBLIC LABOUR EXCHANGES IN GERMANY.

Town.	Population ¹ (1905).	Number of situations filled in last year. ²			Character and date of establishment.
		Male.	Female.	Total.	
Berlin	2,040,000	80,847	11,343	92,190	Voluntary association (1883) with municipal subsidy since 1893.
Stuttgart	249,000	37,893	18,427	56,320	Municipal (1895).
Munich	539,000	29,658	24,015	53,673	Municipal (1895).
Frankfurt	335,000	21,195	15,701	37,896	Municipal (1895).
Dresden	517,000	11,248	22,893	34,141	Voluntary association
Cologne	429,000	21,805	7,359	29,164	Representative association, with all expenditure met by municipality (1894).
Düsseldorf	253,000	25,862	2,844	28,706	Representative association, with all expenditure met by municipality since 1905. For- merly voluntary association (1890).
Leipzig	504,000	9,945	16,425	26,370	Voluntary association with municipal subsidy.
Mannheim	164,000	—	—	19,925	Municipal since 1905. For- merly voluntary association (1893).
Freiburg	74,000	11,268	6,433	17,701	Municipal since 1897. For- merly voluntary association with municipal subsidy (1892).
Strassburg	168,000	12,171	3,293	15,464	Municipal (1895).
Nürnberg	294,000	9,878	4,940	14,818	Municipal (1896).

¹ These figures can only be taken as a very rough indication of the population actually dealt with by each exchange.

² 1906 or 1906-7, except in the case of Berlin (1905) and Frankfurt (1905-6).

The Munich Labour Office was opened on November 1st, 1895. Its stated objects are :—

1. To put employers and employees (including those engaged in industry, commerce, or domestic service, casual

labourers and apprentices) into communication with a view to employment.

: 2. To supply as far as possible information on all questions concerning workmen and conditions of employment.

It has also the duty of providing the Municipal Statistical Office with material for "statistics as to the movements of the demand for and supply of labour in each occupation and at various seasons." It is managed by a committee consisting of three employees, elected by the employee assessors of the Industrial Court,¹ and three employers and an official chairman nominated by the municipality. The paid staff—now numbering eighteen—is, however, appointed not by the Committee, but by the municipality after consultation with the Committee. No fees are charged either to employers or employed, the whole cost being borne by the city of Munich.

The Labour Office is situated on an island over which passes the principal bridge connecting the two halves of the city. The accommodation consists in essence of a number of waiting-rooms opening off a central corridor, and each communicating directly with the office of the superintendent in charge of the particular section. There are, for instance, three sections for men—unskilled, skilled workers in iron and wood, and all other skilled workers—each with its own waiting-room and superintendent; one for apprentices and two for women (industrial workers and domestic servants). Applicants for employment come to the appropriate waiting-room and fill up there a short form, indicating name, address, age, whether married, single, or widowed, occupation and work desired, last employer, and one or two other details. Applications for workpeople are received in the corresponding office by personal call on the part of the employer or his representative, by post, or most commonly by telephone. As they are received they are announced by the superintendent in the waiting-room, and the number required picked out from the men presenting themselves. From the forms already filled in by the men the superintendent enters the essential points in a current register, and sends the men off to the employer with a card of identification. The employer receiving the card is requested to note on

¹ The Industrial Court is both a special court of justice for cases between master and servant (wrongful dismissal, non-payment of wages, etc., etc.), and an arbitration court for industrial disputes (though without power to enforce its decisions at law). The court ordinarily consists of an official President, and two or more assessors taken from persons elected by all the employers and employees in the town voting in separate bodies. Every town of 20,000 inhabitants must have and smaller towns may have an Industrial Court.

it which, if any, of the men he has engaged, and to return it through the post—it is already stamped and addressed—to the Labour Office. Where the employer has called in person or sent an agent, this is, of course, not necessary; the hiring is concluded there and then at an interview in the superintendent's office. In the unskilled section men may stay in the waiting-room all day. In the skilled sections there are fixed hours—generally one in the morning and one in the afternoon—for each trade. It should be added that any situation not at once filled is notified on a black-board in the waiting-room, so that any man coming in later and desiring to apply for one of them may at once present himself to the superintendent. Twice a week, moreover, lists of situations unfilled are drawn up and exhibited in public places. They are also inserted in the Press and sent round to all the neighbouring Labour Exchanges.

The Labour Office appears to concern itself very little with inquiries as to the character of applicants for employment. They are not even always asked to produce their infirmity insurance cards. Efforts are, of course, made to send the sort of man asked for by the employer, but in the unskilled section at least the attitude is taken that it is ultimately the employer's business to satisfy himself as to the capacity of the men he engages. The Labour Office is essentially a means of communication. It does no doubt in the long run give the employer a better workman than he would get by chance from the streets; the superintendent has almost always a certain choice in the waiting-room, and can pick the abler or the better known man. This, however, is only an indirect service. The direct utility of the Labour Office—as it presents itself unmistakably to anyone spending a morning in any one of its rooms—is to prevent economic waste by reducing to a minimum the period during which employers are seeking for men or men for employers. In the unskilled section, with men always in the waiting-room and applications from employers arriving in an almost continuous stream, business has to be conducted at lightning speed.

The Labour Office at Munich was only opened after the ground had been well prepared by nearly three years of discussion. Its success was immediate. In the first complete year of working (1896) 25,586 situations (15,653 for males and 9,933 for females) were filled by it. By 1901 the number had risen to 45,173 (24,358 for males and 20,815 for females); and though the industrial depression of 1902 caused a falling off to 40,513, the number in 1906 was 53,673, classified as follows:—

<i>Males.</i>			
Unskilled	11,978	or 40·4%	of all males' situations.
Skilled (industrial)	11,346	„ 38·3%	„ „
Agriculture and forestry	3,947	„ 13·6%	„ „
Apprentices	1,947	„ 6·6%	„ „
Hotel and restaurant service	426	„ 1·4%	„ „
Commercial	14	„ 0·0%	„ „
	<hr/>		
	29,658		
<i>Females.</i>			
Hotel and restaurant service	7,738	or 32·2%	of all females' situations.
Domestic service	7,077	„ 29·5%	„ „
Unskilled	6,587	„ 27·4%	„ „
Skilled (industrial)	1,868	„ 7·8%	„ „
Agriculture	489	„ 2·0%	„ „
Apprentices	229	„ 1·0%	„ „
Commercial	27	„ 0·1%	„ „
	<hr/>		
	24,015		

In these totals is included a very considerable activity outside Munich itself. No less than 9,359 of all the situations filled (7,594 males and 1,765 females) are "external," including 291 in Germany outside Bavaria, and 63 in foreign countries. The number of persons brought into Munich through the Labour Office is considerably smaller. Workpeople sent to places more than 25 km. (15 miles) distant are allowed, on presentation of a certificate from the Exchange, to travel on the State railways at half-price. In 1906 4,438 such certificates were issued, involving a total reduction of fares of over £350.

The Berlin Labour Exchange is noticeable for several reasons. First, it is the largest single institution of its kind. Second, it is a voluntary, not a municipal, institution. Though it receives an annual subsidy of £2,000 from the city of Berlin, ultimate control and financial responsibility are vested in a voluntary association of subscribers. Third, its services are not free. Applicants for employment have to pay on registration a fee of 2½d., in return for which they get a certificate admitting them to the waiting-rooms of the Exchange for three months or till they are placed in a situation. The revenue derived from these fees—£850 in 1905—forms an important item in the finances of the institution. The payment itself is intimately connected with the special system of working and of checking the returns.¹ The most striking feature of the Exchange is, however, to be found in the special sections dealing with skilled trades. The Exchange premises erected a few years ago at a cost of £30,000 include two distinct buildings. In one is the general section, almost entirely devoted to unskilled labour, and containing a waiting-hall

¹ This is described in the Report on Agencies of Methods for dealing with the unemployed in foreign countries (1904) which has been mentioned already.

capable of seating over a thousand men. In the other building are a number of separate sets of offices—a waiting-room and a superintendent's room—accommodating what are practically separate Exchanges for single trades. There are now seven or eight of these sectional Exchanges, including those for painters, glaziers, locksmiths, woodworkers, bakers, and bookbinders. Each has not only its own offices, but its own staff (generally a former employer and a former workman or trade union official), its own committee of management, representing equally the employers' and employees' associations concerned with an impartial non-voting chairman, and to some extent separate finances. Some of these Exchanges, being supported by the representative associations on each side, hold a very strong position, amounting almost to a monopoly in the filling of situations in their trade. During 1905 the number of situations filled by some of them were:—Painters, 8,461; glaziers, 2,074; bakers, 3,566; woodworkers (six months only), 11,319.

It is hardly necessary to describe other Exchanges in detail. It will suffice to note a few special features. While the Munich Labour Office typifies the purely municipal institutions which are the rule in Southern Germany, and Berlin is the leading example of voluntary institutions, Cologne and Düsseldorf represent an intermediate form, in which the Exchange is in the hands of a representative association of employers and employed formed under the supervision of the municipal authority and deriving all funds from it. In effect, though not formally, these come to be municipal institutions. The Cologne Exchange is distinguished also by being directly connected with (i.) a "house exchange" or register of workmen's dwellings, and (ii.) a scheme of assisted insurance against winter unemployment.

The movement to absorb competing institutions such as guild and trade union registries, and thus centralise and unify the whole labour market, was led by the Munich Labour Office. Of late, however, progress in this direction appears to have been less in Munich than elsewhere. The Stuttgart Labour Office, for instance, which is characterised both by very great activity in proportion to population and by abnormally rapid growth during recent years, is also remarkable for the degree of co-operation secured by it on the part of guilds and trade unions. According to the Report for 1905-6: "All the large trade unions—with the exception of the printers—have closed their own registries in favour of the municipal Labour Office." None of those outstanding filled as many as 100 places in the year 1906. The

unions of woodworkers, metalworkers, saddlers, paperhangers, glaziers, bookbinders, brewers' operatives, millers, and factory workers compel their unemployed members to register daily at the Labour Office as the condition of receiving out-of-work pay. In some cases the Labour Office itself makes the payments on account of the guild or union. In this way during the year 1906 a sum of £262 was paid out to 2,218 persons.

Some of the most interesting of all recent developments are to be found in the Strassburg Labour Office. Here there has been in force since the beginning of 1907 a scheme of augmenting from a municipal fund unemployed benefits paid by trade unions to their members; one of the conditions for the receipt of this municipal subsidy is regular registration at the Labour Office. The Office is used also as a check upon the administration of poor relief. Able-bodied recipients of outdoor relief are required to register daily, and must accept any offer of suitable work at the current rate of wages, on pain of losing their allowances. Another point to notice is that all contractors for city works are under stringent penalties bound to engage all their men through the Labour Office.

The Freiburg Labour Office is interesting as that which in proportion to the population of the city fills the largest number of situations. Its report provides also some rather remarkable figures as to the circumstances under which applications are made. Of the 22,468 men registering in 1906, 7,681, or 34·3 per cent., were still in employment at the time of their application, while 65·7 per cent. were unemployed. Nothing could better show the character of the Office as an industrial, not an eleemosynary, institution—as a means of preventing rather than relieving distress. If a man has to depend upon his personal exertions in finding an employer, he can hardly begin to look for a new job till he has already left the old one and has ceased earning. By means of the Exchange he can look out for a new job while still engaged in finishing up the old one, and may pass to it without any idle interval at all.

From the table already given it will be seen that some of the principal public Labour Exchanges fill, relatively to the total population, a strikingly large number of situations annually. In Freiburg, for instance, the proportion is one in every 4·2 of the population, in Stuttgart one in 4·4, in Mannheim one in 8·2. These exceptional figures testify to special success in absorbing or affiliating rival institutions. In the following tables the development of certain Exchanges is illustrated by comparison of the years 1896, 1901, and 1906 :—

DEVELOPMENT OF PRINCIPAL EXCHANGES.

A.—Males.

	1896.			1901.			1906.		
	Situations filled.	Percentage filled of situations offered.	Percentage placed of applications. ¹	Situations filled.	Percentage filled of situations offered.	Percentage placed of applications. ¹	Situations filled.	Percentage filled of situations offered.	Percentage placed of applications. ¹
Berlin ²	19,030	97·8	77·5	24,528	93·7	66·5	80,847	74·3	—
Stuttgart	10,474	73·3	59·3	12,900	75·4	48·7	37,893	84·1	72·5
Munich	15,653	93·5	49·1	24,358	89·5	56·8	29,658	86·3	83·1
Frankfurt ³ ...	9,145	—	—	16,149	—	—	22,285	82·8	42·5
Cologne	7,823	96·4	70·4	12,480	97·2	38·5	21,805	95·3	60·7
Düsseldorf ..	[1,291] ⁴	—	—	—	—	—	25,862	91·0	68·9
Freiburg	4,974	86·3	45·5	6,014	77·2	40·1	11,268	74·3	50·1
Strassburg ...	922	—	—	1,494	—	—	12,171	61·0	53·4
Nürnberg ⁵ ...	4,818	61·6	57·6	1,940	90·3	32·5	9,878	82·9	95·4

B.—Females.

	1896.	1901.	1906.		
	Situations filled.	Situations filled.	Situations filled.	Percentage filled of situations offered.	Percentage placed of applications. ¹
Berlin ²	1,662	2,072	11,343	58·3	—
Stuttgart	2,638	3 843	18,427	68·1	92·0
Munich	9,333	20,815	24,015	63·7	74·1
Frankfurt ³ ..	534	5,913	15,701	74·4	82·5
Cologne	4,301	7,784	7,359	66·0	93·8
Düsseldorf ...	[17] ⁴	—	2,844	72·3	71·4
Freiburg	1,892	2,935	6,433	67·4	72·4
Strassburg ...	1,004	1,040	3,293	51·3	48·2
Nürnberg ...	142	3,193	4,940	61·2	95·2

¹ Owing to differences in the methods of registration, the figures in these columns do not justify any comparison between one Exchange and another; they

The number of situations for males filled by eight of these Exchanges (*i.e.*; omitting Düsseldorf) rose from 72,839 in 1896 to 102,863 in 1901—an increase of 41 per cent.—and thence to 225,805 in 1906—a further increase of 120 per cent. These figures indicate clearly the effect of trade conditions. 1901 was a year of exceptional depression, during which the activity of many Exchanges fell off very considerably. 1906 was the culmination of a period of unparalleled expansion and prosperity. For females the corresponding increases were 115 per cent. from 22,106 to 47,595, and 92 per cent. from 47,595 to 91,511.

In regard to the percentages of situations filled and applicants placed, the following points may be noticed:—

First, a considerable proportion of the demands by employers, varying for males from 36 per cent. in Strassburg to 47 per cent. in Cologne, and for females 48·7 per cent. in Strassburg to 25·6 per cent. in Frankfurt, remain unsatisfied through the Exchanges. In the bulk of these cases no doubt the employers obtain employees in other ways. This percentage of unsatisfied demands indicates therefore, though it does not measure, the failure of the Exchange to exclude from its scope competing methods of engagement.

Second, the percentage of the employers' demands for females satisfied through the Exchange is everywhere much lower than the corresponding percentage in the case of males, and is, in general, lower than the percentage recorded as satisfied among the applications for employment. This indicates no doubt both the standing excess in the demand for women's labour over the supply and the existence of competing agencies (private registry offices). Many of the German public exchanges deal very largely with domestic servants. It is, however, interesting to note that

can only be used to compare the activities of the same Exchange in different years. The Cologne and Freiburg Reports refer to persons applying (*Arbeitsuchende*), the others to applications made (*Arbeits- or Stellen-gesuche*), but do not all construe "application" in the same way. In Munich at least the recorded applications by no means represent all the actual applications.

² The latest Berlin figures are those for 1905.

³ The number of situations in the last column but two is for the year April, 1905—March, 1906; the percentages in the last two columns are for 1904-5.

⁴ This figure is for 1895 and refers to the voluntary Exchange taken over in 1904 by a Representative Association, financed by the municipality.

⁵ The Nürnberg Labour Office, as will be seen from the last two columns, shows for 1906 (as also for 1904 and 1905) the somewhat remarkable fact of an excess in the demand for men over the supply. This holds true not only of the totals but also of each of the various trades and occupations under which applicants are classified, except General Labour. Even there, however, the number of applications only exceeds the number of situations offered in the proportion 107·4 to 100.

the Employment Exchanges recently established in London, though expressly excluding indoor domestic servants, present the same feature. During the first six months of 1907 they filled 74 per cent. of the situations offered for men and boys, and only 45 per cent. of those for women and girls.

Third, the differences in trade conditions between 1901, a very bad year, and 1896, an average, or 1906, a very good year, are clearly discernible. The percentage of applicants for whom situations could be found in 1901 is relatively very low; the percentage of employers' demands which could be satisfied from amongst the crowds of men presenting themselves is relatively high.

Special attention is paid by a good many Exchanges, among which Munich, Stuttgart, and Strassburg may be mentioned, to boys and girls leaving school. In Germany, as in England, complaints are rife against the tendency to prefer immediate earning to learning a trade, and efforts are made to counteract it by organising and advocating apprenticeship. In Munich, which here also appears to have led the way, there is a special section for apprentices. The attention of all boys and girls in the elementary schools is called to the Exchange a few months before they leave, and they are encouraged to register there, and subsequently to call there from time to time (being let out from school for the purpose) to see if a suitable situation has been notified. In this way they, as a rule, have all their arrangements completed before they actually leave school. According to the Munich Report for 1906, the vast majority of all situations for apprentices in the city were filled through the Labour Office. Boys other than apprentices are dealt with in the unskilled section. How far the Labour Office in these matters acts as more than an open market and endeavours either to influence the decision of the boys and girls or to select among the employers I am unable to say. At the time of my visit to Munich operations in this section were almost completely suspended because an increase in the age of leaving school had cut off altogether for the time being the supply of boys and girls. Apparently, however, the Labour Office, with the assistance of the Guilds, does undertake some inquiry as to the position of the employer and his capacity to teach apprentices.

Nearly all the public Labour Exchanges give their services without charge either to employers or employees. Berlin, with its registration fee of 2½d. for employees, is a conspicuous exception. The fee of 1s. also charged at Berlin to the employer for each domestic servant actually engaged is not so unusual. The Strass-

burg Labour Office, whose services are now otherwise gratuitous, still derives a substantial revenue from this source. The tendency, however, is everywhere to the dropping of fees—as at Freiburg—and to the provision of a perfectly gratuitous public service.

The expenditure on certain Exchanges during the last year (1906 or 1905) is given as follows:—Cologne, £518; Düsseldorf, £487; Frankfurt, £1,037; Freiburg, £520; Munich, £2,222; Strassburg, £520 (after deducting £114 received as fees from employers). In most if not all these cases the rent of the Exchange premises is excluded, as it certainly is at Cologne, Düsseldorf, and Munich (where the rental value of the premises is estimated at £226). In some cases also the Exchanges enjoy postal facilities not taken into account here. On the other hand, the recorded expenditure may cover things outside the ordinary work of an Exchange—*e.g.*, a specialist library at Munich. Taking the figures as they stand, they yield an average cost per situation filled of 4½d. at Cologne and Düsseldorf, 6½d. at Frankfurt, 7d. at Freiburg, 8d. at Strassburg, and 10d. at Munich.

The expenditure has to be met in the first instance by the municipality or voluntary association responsible for the Exchange. Most of the State Governments, however, make grants either in aid of the general finances of the Exchanges (Baden) or for the specific purpose of promoting intercommunication between different towns. These latter payments may be made either to individual Exchanges directly, as appears to be the case in Bavaria and Württemberg, or to federations—*e.g.*, the Federation of Westphalian Exchanges, which receives £250 annually from the Prussian Ministry of Commerce. Since 1902 the Imperial Government has followed the example of the separate States, and makes a grant (£300 in 1903) to the General Federation of German Labour Exchanges. Few things indeed are more noticeable about the movement or more responsible for its success than the support accorded to it by public authorities of all kinds. This has meant not merely financial assistance. It has meant many facilities both in making the Exchanges known and in developing their work—free advertising in official buildings and publications, reduced fares on the State railways for men sent to distant situations, the use of the Exchanges by many public employing departments. It has meant, above all, that the public Exchanges have had a good standing from the very first. In Prussia the movement was largely initiated by the State Government, which by a succession of circulars in 1894, 1898, and 1902, urged upon all

local authorities the establishment of public Labour Exchanges with joint management by representative employers and employed. The Governments of Bavaria (1894), Württemberg (1895), and Alsace-Lorraine (1902, 1903) have also powerfully supported the movement in the same way.

The attitude to be adopted by public Labour Exchanges in matters where the interests of employers and employees are opposed has naturally been much discussed. Two questions present themselves. First: Shall the Exchange intervene in questions of wages and conditions of labour in the sense of refusing to notify situations in which wages and conditions do not conform to the "recognised" or trade union standard? The answer in Germany has everywhere been in the negative. No public Labour Exchange regards the enforcement of any particular conditions of labour as within its functions. Employer and workman must make their own bargain; the Exchange cannot and must not attempt to do more than put them into communication. The utmost that may be done, and often is done where an employer offers an exceptionally low wage, is to call his attention to the fact, and to the small likelihood of his getting a man at that price. If, however, the employer wishes it, the Exchange is bound to notify the vacancy and the wages offered. Any man willing to accept the offer is free to do so. This principle appears to have been generally accepted as self-evident by everybody concerned—by trade unionists as much as by others. Around a second question—as to the attitude of the public Exchanges in times of open dispute between the two parties—much controversy has raged. Shall men be supplied through these agencies to take the places of others on strike or locked out? To supply the men is apparently to take the side of the employers against the employees; to refuse to supply them is apparently to take that of the employees against the employers. In this dilemma four principal alternatives have been adopted by different Exchanges:—

1. To ignore disputes altogether, *i.e.*, to send workmen to a vacancy due to a dispute in exactly the same way as to any other (Nürnberg, Berlin till 1905).

2. To register vacancies created by a dispute and to notify them to applicants for work, but in doing so to give formal notice of the dispute to the individual applicants (Berlin since 1905, Cologne since 1904, Düsseldorf, Frankfurt), and also by placards placed in the Exchange premises (Munich since 1898, Stuttgart since 1901, Strassburg).

3. To suspend operations within the range of the dispute during its continuance (Cologne till 1904, Barmen).

4. To make action in each case depend upon the meeting and decision of the Industrial Court sitting as an arbitration tribunal (Munich till 1898, Leipzig).

There can be little doubt that the second of these alternatives has most approved itself in practice. It has been adopted in three leading cases—Berlin, Cologne, Munich—after trial of one of the other alternatives.

The practical effect of the second alternative—to notify all situations, but at the same time to call attention to those which are due to disputes—appears to be that such vacancies are very seldom accepted by men through the agency of the Exchange. This was stated to me explicitly in Berlin (at least, as to the skilled men), Cologne, Frankfurt, and Munich; while in the last-named Exchange I actually witnessed an unsuccessful attempt by an employer to get two ordinary labourers to fill vacancies created by a dispute. The wages offered were good, and the waiting-room full of men, but not one would put himself forward for the work. It is now indeed generally recognised that the importance of the question has been enormously exaggerated. If during a dispute there are anywhere men able and willing to take the vacancies created, an employer has many ways of getting at them far more effective than a public Labour Exchange. The publicity of the latter makes it indeed the last place from which to get men in a time of roused feeling. The very men who will refuse to put themselves forward in the waiting-room at the Exchange may respond readily to an advertisement. The effect of the second alternative—to notify dispute situations while calling special attention to their character—is not very different from that of the third alternative: formal suspension of operations within the range of the dispute. It has, however, for the Exchange the great practical advantage of enabling it to avoid responsibility for difficult decisions, as to when a dispute has arisen or not. It simply gives publicity to statements made by the parties concerned—in some cases to the employer's denial that there is a dispute, as well as to the union's assertion of it—and then leaves men to act upon their own judgment.

From what has already been said, it will be evident that the public Labour Exchanges have in some places completely secured the confidence and support of the trade unions. This is the more noticeable because at first they met with definite hostility in that

quarter. In 1896 the Trade Union Congress condemned the impartial public Labour Exchanges root and branch, and solemnly warned workmen everywhere "against every experiment based on any other principle than the sole control of Labour Exchanges by the Labour organisations." In 1899 the Congress, while formally reaffirming this view, practically abandoned it altogether by a resolution recognising that "under present conditions the establishment of public Labour Exchanges might be of great advantage to many trades," and recommending organised labour everywhere to take its part in the management of these institutions. By 1907 the establishment or exclusive use of such an Exchange has come to be a common demand of the workmen in collective bargains or even the object of a strike.

This remarkable conversion from formal hostility to strong practical support is to be attributed to the following amongst other reasons :—

1. Experience of the value of successful Exchanges in shortening for the individual workman the average period between one job and the next, and thus for the union the period of unemployed pay.

2. The failure of purely trade union Exchanges to secure general use by employers except in the few trades in which the men were already completely organised.

3. The establishment by employers of their own Exchanges in definite opposition to trade unionism. A public (impartial) Exchange is at any rate better from the workmen's point of view than an Exchange managed deliberately with the object of maintaining a large reserve of labour or of black-listing individual "agitators."

The support given to public Labour Exchanges is not indeed uniform. The printing trade has throughout Germany its own independent organisation, maintained by joint agreement of employers and employees. A very large number of trade union registries maintain a shadowy existence, and some few a real vigour. This, however, is due rather to sectional feeling and conservatism; opposition on principle has practically died away.

On the employers' side there has not been wanting an assertion corresponding to that of the trade unions in 1896, i.e., a claim to organise the labour market themselves, in the interests of the buyer as against the seller of labour. "The maintenance of the partisan (employers') Labour Exchange," said a speaker at a representative conference, "is a matter of life and death for our

industry." This assertion has received practical application in certain towns, such as Hamburg, and certain trades, such as the Berlin metal trades, where the development of public Labour Exchanges is hampered by the existence of Exchanges maintained and effectively supported by associations of employers. That it does not represent the general attitude of employers either individually or in association is shown both by their increasing use of the public Exchanges in nearly every town, and by their participation through representatives in the management of these institutions.

Practically all the important public Labour Exchanges in Germany have committees of management representing employers and employed. In Stuttgart, for instance, the committee consists of ten members elected in equal numbers by the employer and employee assessors of the Industrial Court, with the president of the Industrial Court as *ex-officio* chairman. The Berlin (General Section) and Frankfurt Committees have this same constitution, except that in the former the chairman and a deputy-chairman are appointed by the Voluntary Association, and that in the latter the chairman is appointed by the town council. In Munich the employers' representatives are nominated by the municipality for the somewhat curious reason that even the employer assessors of the Industrial Court included persons of a trade unionist or social democratic bias. In Cologne and Düsseldorf the Committee is chosen in equal numbers by various organisations on either side, and elects from outside its own chairman and vice-chairman, subject to approval by the *Oberbürgermeister*. In Strassburg half the committee consists of a chairman, ten employers, and ten employees, half in each case chosen by organisations on each side, and half, together with the chairman, appointed by the municipality. In Nürnberg the Committee consists of five municipal representatives, four employers, and four employees, all, however, nominated by the municipality. There is thus considerable variety in the constitution of these committees. Some are far more truly representative than others. There are also, no doubt, considerable differences in both their formal and their actual powers. Broadly speaking, however, these do not extend either to the determination of main principles—these are for the municipality or association which provides the funds—or to the details of daily routine—these are for the staff. An Exchange Committee meets probably once a year for formal business, and oftener only if required to adjust a dispute or initiate a new movement. The Munich Committee, for instance, held three

meetings in the twelve months ending May, 1907, to discuss alterations in the constitution, the removal of the office to a more central situation, and the establishment of branches in the suburbs. The Stuttgart Committee met eight times in the two years 1905-6. The Cologne Committee appears to have met only once in 1906-7.

The object of this article is rather to describe German Labour Exchanges than to marshal the arguments in their favour. In Germany, at any rate, it is very generally realised that to put upon the individual workman the whole burden of finding and following the ever-shifting market for his labour is to leave to isolated action a matter that cries out for organisation, and that in regard to every other commodity in the world has obtained full measure of organisation. Everything else that is bought and sold has its known marts; labour alone is still hawked blindly from door to door or town to town. This general argument for the organisation of the labour market is, of course, reinforced by many others. The isolated search for work, it is urged, is demoralising to the individual as well as economically wasteful; vagrancy cannot be repressed sternly until blind tramping in search of work is made unnecessary; unemployment cannot be met by insurance except in so far as a fairly complete organisation of the labour market affords direct test of unemployment; industrial crises cannot safely be met by emergency measures unless the State is provided with an accurate and automatic indication at the beginning, existence and ending of these crises. On the other hand, there appears to be in Germany little or no recognition of the possible use of Labour Exchanges as instruments for the "decasualisation" of labour.¹ In a good many Exchanges, indeed, it is laid

¹ This is the principal point in an article of mine on "Labour Exchanges and the Unemployed" appearing in the March number of the *Economic Journal*, 1907. In the December number Mr. D. H. Macgregor suggests certain doubts as to the policy of decasualisation, viz.: (1) that the residue created would be unmanageable, because the assumption that it would consist of definite persons might prove false; (2) that even though decasualisation lessened the numbers of the industrial reserve, "the problem just is that this reserve is there chronically unpaid and hopelessly beggared whenever we come to a general and widespread depression of trade." As to the first point I certainly should not be content merely to assume that the persons thrown out by decasualisation would be definite persons. I should take whatever steps were necessary to make the reality correspond with this assumption. Registration at the Exchange would be free to all, but getting work through the Exchange would depend upon the policy of the Exchange, and that policy would be quite definitely to concentrate work upon the smallest number of men possible (so as to provide them with a living wage) and to deprive the rest of all chance of work in that place or occupation. In practice there would be no serious difficulty about this discrimination; if the Exchange simply followed common sense and the example of the London and India Docks Company in

down that men, if otherwise suitable, shall be selected for vacancies according to priority of application—a rule which, in so far as it is carried out, must have an effect directly opposite to “decasualisation,” tending to distribute casual jobs in rotation over a large number of men instead of concentrating them so as to afford a reasonable living to a few.

The public Labour Exchanges of Germany are still only at the beginning of their development. Their success, though in many cases remarkable, falls far short of anything like domination of the labour market. They are still nearly excluded from some trades and of little importance in many others. Their most conspicuous successes are in towns, such as Munich, Stuttgart, Freiburg, which industrially are only of the second rank. Some of the most important services which they may render, such as the decasualisation of labour or the provision of a direct test of unemployment as a safeguard to systems of insurance or outdoor relief, are only just being realised or are hardly realised at all. They are still an instrument in the process of being made and perfected, rather than one in full use. Yet no one can doubt that they have come to stay and to grow as the many services they may render come to be more fully recognised. They do not solve the unemployed problem. They simplify it enormously, and are indispensable to a solution.

W. H. BEVERIDGE

moving men up and down the list for work according to the regularity of their work or reports upon their industry, the discrimination would become automatic.

As to the second point, if in speaking of the industrial reserve as being still “there,” Mr. Macgregor means that no organisation of the labour market can abolish all fluctuations in the demand for labour, I of course agree with him. But given proper organisation there is no reason why the reserve power to meet sudden increases in the demand should not be found rather in the power of many employed men each to work an extra hour a day or day a week than in the maintenance of a smaller number of normally unemployed men taken on only for emergencies. If, however, by the reserve Mr. Macgregor means the existing dock labourers, carmen, general labourers, etc., I should answer that decasualisation would turn part of these into men of fairly regular employment (and thus not beyond the possibility of organisation and saving against times of exceptional depression) and would turn the rest into a surplus (a thing entirely different from a reserve). The surplus men in so far as they were not naturally absorbed in fresh branches of industry, would have to be removed deliberately, but until they are a surplus, not a reserve, *i.e.*, until decasualisation has abolished the economic demand for them, their removal—whether to Canada or to rural England or to municipal workshops—simply empties a reservoir which fills again automatically.

With regard to Germany, I ought to add that I have not had the opportunity of visiting the Exchange maintained by the Citizens' Association of Hamburg. This, undoubtedly deals largely with casual labour, supplying all the men engaged by the port authority for work on the quays, but, so far as appears in the Report on Unemployed Insurance already cited, has no definite policy of decasualisation.

A SUGGESTION FOR A NEW ECONOMIC ARITHMETIC.

THE economic arithmetic which it is the purpose of this paper to suggest is not, like the older term "Political Arithmetic," merely another name for statistics. It is to resemble rather our common school text-books in arithmetic in at least one point, viz., it is to consist of a series of problems and exercises to be worked out by the student. These problems are to be based upon well-known economic laws, and should be so devised as to require a tolerably clear understanding of these laws, but to require no knowledge of mathematics beyond simple arithmetic. It is to differ from an ordinary text-book in economics in that it is not to stop with a mere verbal exposition of economic principles, but is to require the student to apply them in definite form to concrete, though necessarily hypothetical, problems. In this respect, again, it would resemble our common school text-books in arithmetic, which do not usually stop with a mere verbal statement of arithmetical rules, but arrange a series of problems designed to make the student apply the rules to concrete, though also hypothetical, cases. If we may assume that these problems and exercises in our common arithmetic are useful in making arithmetical rules and principles somewhat more definite and concrete, may we not hope that a similar result will be accomplished in economics by a similar method?

The advantages of this method are obviously in part pedagogical, but that is nothing against it, since one of our greatest social problems is that of making the principles of economics clear, and their applications concrete, to the average man. It will also prove a great antidote against loose and slipshod thinking on the part of those who no longer regard themselves as pupils. Again, it is the belief of the writer that the study of an economic arithmetic of the kind suggested will be of value to those students who expect to enter upon business careers, and this is a matter of some importance now that university men are turning more and more in that direction.

It is probable that economics will continue to derive its chief value from the light which it throws upon the proper conduct of public rather than private affairs. But unless the laws of economic causation work differently in the two fields, the study of economics ought, theoretically at least, to furnish a valuable preparation for both. That the study of the laws and tendencies which govern masses of men in the universal struggle for a living may become a valuable training for the individual participant in that struggle is obviously a theoretical possibility. How to make this theoretical possibility a practical reality is a question of growing concern to teachers of economics. The working out of problems based upon well-known economic laws seems to promise something in this direction.

Though applicable to any productive industry, these problems, so far as the writer has made use of them, have related to agriculture alone; firstly, because that industry offers the simplest and least complicated conditions; secondly, because it is the industry with which the writer is best acquainted; thirdly, because the numerous experiment farms which are now maintained furnish a nearer approach to an economic laboratory than is to be found in connection with any other industry. By way of illustration, let us begin with one of the simplest possible cases, viz., the feeding of cattle.

According to a writer in *Country Life in America* for July, 1905:—"It is a demonstrated fact that as the fattening period is prolonged the cost of each pound of gain increases. In one experiment 730 lb. of grain were required for 100 lb. of gain during the first two months (of the fattening period), while 1,000 lb. of grain were eaten for the same amount of gain at the end of six months. It has been shown that in some cattle it costs four times as much to produce a pound of meat at the end as at the beginning of the feeding period."

"Again," according to the same authority, "it is true that the cost of gain increases with the age of the animal" (aside from the period of forced fattening). "From statistics covering feeding experiments with more than 50,000 cattle of different ages it appears that the average daily gain in cattle at $\frac{1}{2}$ year of age is 2.3 lb.; at $1\frac{1}{4}$ years, 2.09 lb.; at $2\frac{1}{2}$ years, 1.58 lb.; at $3\frac{1}{2}$ years, 1.44 lb.; at $4\frac{1}{2}$ years, 1.2 lb." Here we have a sufficient inductive basis for the conclusion that the fattening of cattle comes under a law entirely analogous to the law of diminishing returns. On the basis of some of these experiments it would not be difficult to construct a table, or a series of tables, showing the daily or

weekly gains of actual bunches of steers, though hypothetical ones would do equally well. With such tables before the students, the instructor could then set a series of problems for them to work out, problems involving the principles of marginal cost and marginal productivity under varying conditions of cost of feed and price of beef. Should any of the students ever engage in cattle-feeding, they would then have no excuse for making the mistake frequently made by feeders in America, and possibly in England also, of prolonging the feeding period after the daily gains had ceased to pay the cost of the daily ration. But even if none of them should ever engage in such a bucolic occupation, those who have worked out a series of problems of this kind will have a clearer idea of the law of diminishing returns in its varied forms and applications than they are likely to get from mere verbal instruction, for verbal instruction is too often like the proverbial water on the duck's back. Moreover, since the same general principle is involved in every productive industry, these problems would not be entirely devoid of value to the student who expected to enter upon any sort of a business career.

Let us now turn to a somewhat more familiar, but more complicated, phase of the general law of diminishing returns, viz., the yield of land under varying applications of labour and capital. The following table, with the problems based upon it, will serve to illustrate the method under discussion :—

QUANTITY OF CORN GROWN WITH VARYING QUANTITIES OF LABOUR ON A GIVEN QUANTITY OF LAND.

Number of days' labour of a man and team with the appropriate tools.	Product, in bushels, of each of four fields of ten acres each.			
	Field A.	Field B.	Field C.	Field D.
5	50	45	40	35
10	150	140	130	125
15	270	255	240	220
20	380	360	300	270
25	450	420	350	310
30	510	470	390	340
35	560	510	420	360
40	600	540	440	375
45	630	560	450	385
50	650	575	455	390

The following problems are based upon the above table :—

Problem 1.—Assuming that the labour of a man and team, with the appropriate tools, costs a farmer 20s. a day, and that

corn is worth 1s. 6d. a bushel, how many days of such labour could he most profitably devote to the cultivation of each of the four fields, assuming that they are all the land which he has at his disposal?

How would the problem be affected if labour cost 10s. a day instead of 20s.?

Problem 2.—Assuming that the farmer has 200 days' labour, and no more, which he can devote to corn growing, but that he can have, rent free, an indefinite quantity of land of the grade of field A, how many acres could he most profitably make use of for corn growing?

How would the problem be affected if he had to pay a rental of 30s. an acre?

Problem 3.—Assuming that the two fields A and C belong to the same farmer, and that he has but 20 days' labour which he can devote to their cultivation, how could these 20 days be most profitably distributed between them? How could 25 days be most profitably distributed? 35 days? 50 days? 60 days? 70 days? 90 days?

Problem 4.—Assuming that the relation of the labour-supply to the land-supply is such that 130 days' labour, of the kind assumed in the table, will seek employment upon the four fields A, B, C, and D, what would be the normal rate of wages, *i.e.*, what is the highest rate at which the farmers would find it to their advantage to employ the entire labour-supply—corn being worth 1s. 6d. a bushel? What would be the normal rental of each field?

How would wages and rent be affected if the labour-supply were 170 days instead of 130?

These problems are very easy and can be solved almost at a glance by those who understand clearly the principles of marginal productivity and marginal cost; but they are likely to prove somewhat vexatious, though by no means insoluble, to those who do not. Therefore they furnish a very good test of the clearness of the students' understanding. To be sure, the higher mathematical formulæ, and problems based upon them, would answer the same purpose in the case of the student whose mathematical training was sufficient. But not every student has that training. Though these arithmetical tables are less compact than the higher mathematical formulæ, the fact that the former are usable by a larger number of persons must weigh heavily in their favour. Moreover, they conform more readily to the results of careful accounting. The cattle-feeder, for example, who

weighs his cattle daily or weekly will record their progress in the form of a table rather than in that of a mathematical curve. The cultivator who records the results of different systems of culture will, in the act of doing so, construct a table in all essentials like those given above. The construction of a mathematical curve would, in either case, be a secondary and more refined process.

However, it is not the purpose of the present paper to decry the use of curves and diagrams in the exposition of economic principles. They are often useful, sometimes indispensable. But there are some things which can be done better with tables of figures than with diagrams. The fact that figures, especially if they represent the results of actual experiments, give an air of greater reality is not entirely beneath the notice of an economist. The mere pedagogical superiority of this method is not a thing to be ignored. This superiority consists in the fact that the student is made to assume the active instead of the passive rôle in the process of instruction. By the use of the problems based upon these tables the student is made to think out and apply the principles instead of being the passive receiver of instruction. It is one thing to explain to a student, by whatever method, that it is time to stop feeding and to sell a bunch of steers when the daily gains in value fall to a level with the cost of the daily ration; but it is quite another thing to place before him a table showing the results of a feeding experiment and make *him* tell *you* when was the proper time to sell.

But the advantages of this method are not all of a purely pedagogical nature. It will also furnish a kind of preliminary training for the accountant and the statistician. So long as our proposed economic arithmetic has to be made up largely of hypothetical problems, the training which it gives will not, it need not be said, make the student either an accountant or a statistician; but it will accomplish something else which is quite as important at the present time. It will enable the student to see clearly upon what points it is essential to have exact statistical information, and will thus enable him to direct his statistical inquiries to a better advantage. The principal reason why so many of our statistical inquiries are of so little use is because those who direct them do not have, to begin with, a very clear idea as to what it is worth while to find out. The result is that we are piling up thick and multitudinous volumes of statistical information of little use to anybody because they do not enlighten us upon the points where we most need enlightenment. One of the first things to be accomplished by the study of this new

economic arithmetic will be to show, largely by the use of hypothetical problems, what are the essential points upon which statistical information is needed. After this has been accomplished and statistics upon these essential points are made available, actual tables and problems may be substituted for the hypothetical ones to which we have to resort at present.

For illustration, let us return to the simple case of the feeding of a bunch of steers. Of course, the general problem, from the farmer's standpoint, is how to fatten and market them at the greatest profit. But under this general problem there are a number of special problems such as the one already mentioned, viz., when to stop feeding and to sell. It is only when the director of a feeding experiment understands the principle of marginal cost and marginal productivity in their application to this special problem that he will be able to collect the necessary data. Fortunately these points are generally understood by the directors of our experiment farms, and therefore we have considerable light upon the question. But in the almost equally simple case of the cultivation of a crop of Indian corn, we have almost no information regarding the results of a varying expenditure of labour either in the preparation of the soil or in the cultivation of the crop after it is planted. The reason is not because such information would be difficult to obtain, nor is it because the information would not be of great value; it is solely because the directors of our experiment stations have not yet understood its economic significance.

The problems are essentially the same, though much more complicated, in the case of a mercantile establishment, a manufacturing plant, or a railway system. One of the many important things which it is necessary for the manager of any enterprise to know is the right proportion, under the circumstances, in which to combine the various factors of production. It goes without saying that it is as important for the manufacturer to know how large a labour force, for example, to maintain in any single branch of his establishment as it is for the cattle-feeder to know how long to continue feeding his cattle, or for a corn-grower to know how many times to cultivate his crop. These are all problems in economic arithmetic—the problem in each case being fundamentally the same, viz., to find the right proportion, under the circumstances, in which to combine the various factors of production. And in every such case the problem can be put into arithmetical form. The only question is as to the utility of the method. Since the problems must, for the present at least, be almost always hypothetical, will they help in the solution of

real problems involving the same principles? That seems very much like asking whether the solution of hypothetical problems relating to bank discount will be of any use to the student who may afterward have to solve real ones.

This does not overlook the fact that most business men learn the solution of these problems by experience; but "experience teaches a dear school." That some business managers have not yet learned the solution of all these problems is witnessed by the rise of a new kind of expert called by some mischance the "production engineer." He is also an accountant; but he is more than that. He is really a consulting economist. He is an accountant who knows, to begin with, the general economic principles which make for the greatest efficiency, and who can therefore so direct the accounting of the establishment as to find out whether each and every branch is returning its maximum profit. Usually he does not tamper with questions of price, that is, with the possibility of buying cheaper or selling dearer, nor with the question of getting business. He deals principally with the commonplace economic principles of marginal productivity and marginal cost—questions identical in kind with those given above with respect to hypothetical fields of corn. If he were employed by the farmer of any one of these fields he would undertake to find out whether the last ploughing increased the crop sufficiently to pay what it cost, or whether one more ploughing might not increase the crop enough to pay the additional cost. In a manufacturing concern he would undertake, among other things, to find out whether too large or too small a force is maintained in any one department, or in each and every department. That is to say, he would undertake to solve for an actual going concern problems which are, in all essential particulars, like those given above with respect to imaginary fields of corn.

As for the statistician, if he is to throw any light whatever upon the proper conduct of public affairs, he must precede his statistical investigation with a clear theoretical analysis of the nature of the problem to be solved, and there is no such antidote to loose and slipshod theorising as the necessity of reducing one's theories to a mathematical form of statement. Here, again, the use of higher mathematical formulæ may serve the same purpose; but wherever the simpler arithmetical formulæ will answer the purpose, there is little to be gained by resorting to higher mathematics. Their use should be reserved for those cases where the simpler formulæ are insufficient.

Let us be hardy enough to take, as an illustration, the much controverted question of Free Trade or Protection. The crux of

that whole question lies, of course, in the soundness or the unsoundness of the fundamental proposition of the Free Trade school, viz., that labour and capital will, if left to themselves, flow into those fields which are naturally most productive, and that the only effect of interference is to divert them into fields which are naturally less productive. If this be true, the Protectionist has not one reasonable word to say, and the question is a closed one so far as intelligent discussion is concerned. That proposition must be controverted and not ignored if the question is to be even opened to debate, and it must be controverted, not by general historical or statistical comparisons between Free Trade and Protectionist countries, not by general statistics of exports and imports, but the statistician must test the question definitely and specifically, whether, in any actual case, capital and labour have of themselves deserted a more productive for a less productive field, or been diverted by Government interference from a less productive to a more productive field. If the statistician can show either of these things, he will open the question up for further scientific discussion; otherwise he cannot. This task is not a logical impossibility, as is sometimes too confidently assumed by the Free Trader.

By way of illustration, let us take the change which has taken place in comparatively recent years in the Roman Campagna, which was formerly under the plough, but now almost entirely in pasture. Is the change necessarily toward greater productivity? Upon this point we have no accurate statistical information, but a case can be assumed hypothetically which will bring out the essential point. Let us assume that for a given piece of land the results of the two systems of culture are as follows:—

Crop.	Labourers employed.	Cost in wages.	Interest on capital.	Value of product.
Wheat	10	300	100	600
Wool and mutton...	1	30	160	400

Problem 1.—Under these conditions which crop would pay the farmer better?

Problem 2.—At what rate would the labourers have to work in order to make wheat as profitable to the farmer as wool and mutton?

Neither of these problems are matters for discussion; they are matters of arithmetic. And the question: To which crop would the land naturally be devoted? is scarcely a debatable one, since it is practically identical with problem 1. But there is room for discussion as to which crop, under the conditions assumed, would pay the country better. Left to itself the land would

surely be devoted to sheep pasture rather than to wheat growing because the former yields the larger surplus. But wheat growing yields the larger total value and supports a larger number of people. Much, therefore, depends upon the opportunities for utilising the labour of the nine men who are removed from the land when it is turned into sheep pasture. The country as a whole is rather more interested in the total product than it is in the surplus product over and above cost, seeing that wages figure in the cost. If the nine men can find employment in other industries about equally productive, the change from wheat growing to wool and mutton would be a good one, for not only would the surplus be greater, but the gross product as well. If the conditions are not favourable for their employment elsewhere, one of three things will probably happen:—1. They will be employed at less productive work and at reduced wages. 2. They will work on the land at wages low enough to enable the farmer to make as large a surplus in wheat growing as in growing wool and mutton. 3. They will migrate. The first alternative would be favourable or unfavourable according to circumstances. Problems could easily be framed to show this. The other two alternatives could only be regarded as unfavourable results of the changed economic conditions. These problems are enough to show that labour and capital *may* desert a more productive for a less productive industry, viewed from the standpoint of the nation as a whole rather than from that of the individual business man. The task of the statistician is to test any specific case and find whether it has actually done so or not.

But the case of the tariff controversy is only one illustration of the advantage to the statistician of some study and practice in hypothetical problems of this kind. In general, it may be said that this kind of training is about as essential as a preparation for statistical inquiry as a course in commercial arithmetic is for the work of the book-keeper. But in order to make the problems as life-like as possible, they ought to be devised by men who have not only some theoretical training, but also some familiarity with the details of many different kinds of business. This familiarity, except possibly in the case of the agricultural industry, the writer does not possess. Therefore he must content himself by merely pointing out its possibilities and suggesting that economists devote more attention to it. As a pedagogical device the writer has used it, with some degree of success, in some of his classes for the last ten years.¹

T. N. CARVER

¹ Similar problems are made use of in H. C. Taylor's *Agricultural Economics* N.Y., 1905.

WILL THE RATING OF LAND VALUES INCREASE URBAN CONGESTION?

Two articles in recent issues of the ECONOMIC JOURNAL have been directed to an endeavour to show that the substitution of land value for rateable value as the basis upon which rates are levied would produce an even greater congestion of population in towns than that which now exists. In "The Proposed Relief of Buildings from Local Rates,"¹ Mr. Edwin Cannan says that "the increase of buildings resulting from the change would take place almost entirely, perhaps altogether, in London and the great towns," and that "the new building in the great towns would, of course, deplete the rural districts." Major Darwin follows this up, in his article on "The Taxation of Site Values with Reference to the Distribution of Population,"² by arriving at the general conclusions "that land value rating would increase the concentration of our towns about their already congested centres; and that this would be an evil result, which would not be materially lessened by legislation."

There is great satisfaction in coming to a clear issue on this subject, about which there still exists much misapprehension. While concurring in the proposition that congestion is an evil, I entirely deny the other conclusions just quoted. I believe that the premises on which they depend are defective, and that the reasoning by which it is sought to support them is unsound.

To clear the ground, let me say at once that migration from rural to urban districts is an inevitable result of the great development of British manufacturing industries. Also that the tendency of commerce to concentrate in town centres is similarly due to improvements in the methods of exchange, of which London is the most conspicuous example. Both movements will have a certain effect, whatever system of rating is adopted. But there

¹ March, 1907.

² September, 1907.

is no reason to believe that agriculture will perish in the country, or that concentration need become congestion in the towns.

It is a striking fact that both the writers to whom I have referred fail to examine the relation of the *present* rating system to these two movements. It has been in operation for three hundred years, and its effects upon urban congestion can easily be traced; whereas the effects of a new system, not yet in operation, cannot be submitted to the test of actual facts.

The present rating system does not charge rates upon all rateable property. All unoccupied property escapes, and various special classes of property are wholly or partially exempt. Moreover, occupied property is only chargeable according to the use made of it. Consequently any owner can escape payment of rates altogether by keeping his property unused, or reduce the charge by restricting the user. Under such a system it is obvious that enterprise and industry must bear an undue proportion of the rates levied, while special facilities are afforded for the restriction of the use of land. The prosperity of a nation depends largely upon the best use being made of its land, whether for industrial, commercial or agricultural purposes. One thing at least is clear: that the present system is in this respect contrary to public policy.

But this is by no means the full extent of the evils involved in the present rating system. The inclusion of buildings and improvements in the basis of charge distributes the burden unfairly between properties that are fully utilised. As a general rule values are highest in the centre of a town, and decrease towards its circumference. But there are many exceptions to that general rule. The task of valuation would be comparatively simple if it were possible to establish any general ratio between the value of real property and its distance from the town centre. Proximity to a railway station, open space or other centre of traffic, frontage to the river or a canal, special local industries, and many other causes have a bearing on the question of value—very often greater than that of the distance from the town centre. And almost everywhere there is a wide difference, even in the same district, between main thoroughfares and side streets in the matter of values.

The important point to bear in mind is that these variations are *variations of land value*. The value of any particular structure is the same whether it is erected at the town centre or anywhere else, provided it is reasonably suited to its situation. The difference in rental arises entirely from its situation, i.e., from

site (or land) value. And the range of variation is very wide. To take London as an instance, a square yard of land in the heart of the City is worth at least a thousand times as much as a square yard in the cheapest suburban district. Land value is thus extremely variable, while structural value is constant, or varies only within certain well-defined limits. The quantity of land in a given area can neither be increased nor diminished; whereas structural value can be indefinitely increased. Yet these two values, differing so greatly in their economic characteristics, are amalgamated in one assessment for rating purposes. That anomaly and inequity in the distribution of burden should result is not at all surprising; but the extent to which the distribution of burden is affected is far greater than is commonly supposed. If the addition due to the inclusion of structural value in the assessment bore a fairly constant proportion to the land value, its inclusion would not materially affect the distribution of burden. But the fact is that this proportion varies very considerably. Excluding extreme cases, it may be taken that, in the centre of London, the value of buildings and improvements forms about one-third of the rateable value, while in the suburbs it represents five-sixths. In other words, the inclusion of structural value adds 50 per cent. to land value in the former case, and 500 per cent. in the latter. In the City of London, during the twenty years ending April, 1906, rateable value increased from £3,777,078 to £5,360,197, or by £1,583,119. By far the greater part of this was due to enhanced land value, as the City has long been fully built up, and structural values can be increased only by the substitution of more costly buildings for those previously existing. During the same period the rateable value of the entire County of London (including the City) rose from £30,716,719 to £43,486,437. The total increase was thus £12,769,718; but it is officially estimated that £7,522,302 was due to new buildings, so that the increase in land value was £5,247,416. That is to say, that the City, which is only $\frac{1}{12}$ th part of the County in area, enjoyed about one-fourth of the total increase in land values in twenty years. No detailed information exists as to the total land value; but, at any rate, there can be no doubt about the enormous concentration of land values in the centre of London. It is thus evident that rates are levied mainly on land value in the centre, and mainly on structural value in the suburbs. Broadly speaking, the proportion levied on structural value increases with the distance from the town centre, and is greatest at the circumference, i.e., in the very place where building should be en-

couraged rather than hindered if the development and expansion necessary for public health is to take place.

The great and obvious inequality of burden produced by the present system is only one—and not the most regrettable—of its features. The most disastrous effects arise in connection with the development of land for building and with the standard of house-rent. No builder will erect a house unless there is a reasonable prospect of letting it to a tenant prepared to pay sufficient to cover ground rent, interest on outlay, cost of maintenance, *and rates*. As the rates average 7s 6d. in the pound in London, they add 37½ per cent. to the net annual value of land and buildings. The result is that large areas of land, otherwise ready and suitable for building houses, cannot be utilised for that purpose until the pressure of demand adds the requisite 37½ per cent. to rental values. Moreover, any attempt to secure lower rents by building on cheap land only increases the proportion of rates in respect of structure. The cheaper the land, the greater must be the proportion of structural value included in the assessment. Not many years ago Lord Swaythling (then Sir Samuel Montagu) offered the London County Council 25 acres of land at Edmonton for the erection of workmen's dwellings *as a free gift*. But notwithstanding the absence of any charge for land, the Council found that the burden of rates upon the projected dwellings was so heavy that any building scheme must involve considerable financial loss.

As may be expected under such conditions, the growth of land value in outlying districts is comparatively slow. Around all our great towns large tracts of land lie practically out of use, or are used for purely temporary purposes, during this so-called period of "ripening for building," which often extends over a whole generation. There is no other similar instance of great and unnecessary delay in the transition of land from one kind of use to another. A very slight alteration in economic conditions will transfer land across the margin of cultivation. When the increase of traffic in a thoroughfare makes it profitable, the houses fronting it are converted into shops without difficulty. Offices, warehouses, and other business premises are always taking the place of old houses, no artificial impediment arising except such as may be due to fag-ends of leases. Only in the change from agriculture to building is the period of transition so long, and the leap in value so enormous. And it cannot be doubted that these results are in the main due to our uneconomic and unequal system of rating.

The restriction thus placed upon building limits the supply of

houses, while demand increases. The result is an abnormal rise in the standard of rent, squeezing out those in need of house-room but unable to pay the higher rent. These unhappy persons can only meet the difficulty—if they succeed in meeting it at all—in one way, namely, by crowding into a smaller space than is necessary for health and decency. According to the census of 1901, there were in London no less than 304,874 persons living in single-room tenements, and 726,096 persons living under conditions of overcrowding, *i.e.*, more than two persons per room. This fits not only a great blot on our civilisation, but a source of national deterioration. It is a most emphatic condemnation of our rating system that it directly and gravely aggravates these disgraceful housing conditions. The growth of manufacture and commerce ought not to be permanently accompanied by poverty and overcrowding; and no system of local taxation should be tolerated which produces such results.

The effects of the unnecessary increase in the standard of rent are not, however, confined to houses. Premises used for manufacture and commerce suffer in the same way. The limitation of the supply of new houses and the high rents they can obtain encourage owners—especially short leaseholders—to keep up old dwellings upon sites that, under a better system, could be devoted to trading purposes, but which, under present conditions, can be profitably let as overcrowded tenements. Thus slums continue to exist, and the abnormally high rent standard is transmitted to industrial and commercial property, the natural extension of which is checked. A particularly unfair extra burden is thrown upon manufacturers using machinery, as the value of all plant which helps to make premises fit for the use to which they are put is included in the assessment.

One important result of the limitation of the area of land available for building, and of the further limitation within that area of the amount available for trade premises, is the erection of lofty buildings. The restrictions imposed on the height of buildings by law prevent the construction of the "sky-scrapers" to be seen in New York; but blocks of dwellings, flats, and offices of five, six, or more storeys are becoming common in the central parts of London. All these developments are abnormal. No one prefers to live in block dwellings or to reach his office by means of a lift; and the fashionable flat, though it has a certain vogue at present, is not the permanent or only home of its occupants. The upper parts of lofty buildings are, therefore, seldom occupied from choice. An interesting light is thrown upon this aspect of

the question by the experience of the London County Council in displacing population for the formation of the Rotherhithe Tunnel. Required to provide house-room for a number of persons approximating to the number displaced, the Council erected five blocks of dwellings in Rotherhithe, the first being ready for occupation in October, 1902, and the fifth in December, 1904. The rest of the dwelling accommodation within half a mile is afforded by small houses, and an investigation made in June, 1904, showed only 14 vacant tenements in 1,744 of these houses. But the block dwellings have never been fully occupied. The Council's loss of rent due to empty tenements in 1904-5 was nearly 50 per cent.; in 1905-6 it rose to 54 per cent.; and in 1906-7 it was still as great as 37 per cent. Other instances could be given showing that, wherever population has a choice, low buildings are preferred to those of great height. But notwithstanding this undoubted preference for small houses, there were no less than 143,946 rooms in block dwellings in London in 1906, of which 106,239 were situated in the City and the districts adjacent to it.

In rural districts the existing methods of local taxation, though producing less disastrous results, are quite as unsatisfactory as in the towns. There are the same facilities for the restriction and prevention of the use of land, and the same undue proportion of burden thrown upon its best and most profitable use. The expenditure of the enterprising landlord and the good husbandry of the industrious farmer lead to increased rateable values, and consequently to increased rates. On the other hand, neglected buildings, fences, and ditches, with poor cultivation, bring about deterioration of value and reduced assessments. Since 1894 these conditions have been accentuated by the Agricultural Rates Act, which has increased the rate-burden upon buildings, while the relief given in respect of land is in inverse proportion to the need for it. Being proportioned to the value of the land, it is greatest where land value is highest and the need of assistance smallest, and smallest where land value is lowest and the need for relief most acute. It is the burden of local taxation—not the benefit of exemption—that should be measured by the value of land.

Thus far the argument has proceeded upon lines which can be tested by present-day facts, a few of which have been quoted. It is open to any investigator to examine further by this test all or any of the conclusions which have been reached. Now, however, the theme passes out of the sphere of the actual into that of the probable; for the next step is to inquire what is likely

to be the effect of making land values the basis of rating. It should be noticed at the outset that most of the undesirable results predicted by Mr. Cannan and Major Darwin have already arisen under the existing system, and have been gravely aggravated by it. Their arguments, therefore, if sound, amount to this: that the change of basis will increase and intensify the evils caused by the existing system. It is necessary next to consider whether there is any ground for this conclusion.

I should not propose to make the change at a single step. Such a course might lead to an unnecessary dislocation of property values. But it is, nevertheless, far simpler and clearer to conduct the argument by a comparison of the present conditions with those which are probable after the complete change has been made. There are two great alterations involved in the proposal, viz.: (1) the exclusion from assessment of all structural and other improvements, and (2) the levy of the rate upon *all land*, whether used or not, according to its fair market value between a willing seller and a willing buyer. No doubt, however, it would be found unnecessary to assess land occupied by the community in common, such as roads, public open spaces, &c.

Commencing, as before, on the margin of the town, where the transition of land from agricultural to building uses is proceeding, the first result of the change will be that the erection of a house upon any particular site will not alter the amount of rates levied in respect of that site as it does at present. When a sufficient number of houses have been built and occupied in the immediate locality, there will be a general but gradual increase in land values there, involving an increase in the yield of the rates; but any such increase must be a trifle compared to that now due to the inclusion of structure in the assessment. In the second place, the amount of the charge for rates in such situations would be very much less than is at present charged upon houses in similar situations. This reduction cannot be accurately estimated, but it might easily exceed 50 per cent. The total annual payment required for a house would therefore be materially less than at present, and this would at once swell the ranks of intending tenants. On the other hand, since all the unused land would be charged according to its fair value, it would no longer be possible to keep it both out of use and out of the market without incurring a loss. The impetus thus given to the building industry would be twofold, as customers would increase in numbers, while more land, and cheaper, would be available for building. Under such circumstances more capital would continue to be attracted to

building enterprise until the profits on building resumed their normal level, leaving house occupiers with the permanent benefit of more house-room at lower rents.

At the centre, where business premises predominate, the conditions would be affected in a different way. There the bulk of the existing assessments is land value, and there would be no reduction in the amount of rates charged, but rather a tendency to increase it. For although the assessments would be reduced by the exclusion of buildings and machinery, larger poundage must be levied in order to raise the equivalent of the present yield. This, however, will have no effect upon building. As the Separate Report on Urban Rating and Site Values says, "an increased burden will certainly not stop building in the centre of a town—it will merely diminish the peculiar advantages of the central position; in other words, it will prevent the site-owner obtaining so much rent." But the erection of trade premises will be indirectly facilitated by the change, inasmuch as the numerous new houses in the suburbs, at low rents, will set free a considerable quantity of centrally situated dwellings—old and often insanitary—for replacement by business premises. Shortly stated, the change will certainly cause an entire local redistribution of the rate-burden. It will be increased in the highly valuable central districts; in a small zone immediately surrounding them the alterations will be slight; while the remaining area—probably three-fourths of the town—will be relieved, the amount of relief increasing with the falling of the land value curve.

While the reduction in rates will reduce the rent standard wherever it occurs, the increase in rates which is probable in the central area will not increase rents there. The new rate will be levied according to land value, and it is unnecessary to repeat the arguments of Adam Smith, Ricardo, and John Stuart Mill, showing that a tax on economic rent falls wholly on the land-owner. Rents in the central area would therefore be reduced in two ways: (1) by the new rate, and (2) by the greater quantity of land available for building elsewhere. This result, moreover, coincides with Major Darwin's conclusion "that rent gradients would be rendered less steep by the rating of land values" (p. 338). But it is difficult to understand how this flattening of the rent gradients can have led him to the view that it would produce an inflow of population from the suburbs to the centre. Taking his own illustration of the reservoir with a sinking bed sloping towards the centre, it is clear that if the slope becomes less steep the depth at the centre will be relatively less and the water in the

reservoir will be more equally distributed, the centripetal tendency being obviously weakened. But gradients are rendered less steep not only by lowering the high end or raising the low one, but also by *lengthening the slope*. The rating of land values may be expected to do both. The water in the reservoir represents rental value under the existing rating system; and it is not only deepest in the centre, but its expansion is also artificially limited by the strongly-built banks, which may stand for the barrier now blocking the building industry at the town margin. The effect of a process analogous to land value rating will be not only to modify the depth over the fixed area of the reservoir, but also to convert the reservoir itself into a natural basin, the slopes of which, becoming easier the further they extended, would spread the water over a much wider and ever-extending area, thus increasing both the area and capacity of the basin, and providing for an increasing volume of water. The mistake lies in the attempt to compare a growing town with a reservoir of fixed capacity; but Major Darwin's conclusion is further invalidated by the assumption that the rent gradient relates to houses only.

If the increasing rental value of a town is spread over a constantly widening area, it is obvious that population has followed the same course. Population has, in any case, a tendency towards the suburbs, arising partly from the more highly effective demands of commerce and manufacture over house-building for land in the centre, and partly from the desire for purer air and greater space. Notwithstanding the existing barrier at the margin, population shows a continual tendency to move outwards, pushing the barrier before it. Continuing to use London as the largest illustration possible, it may be pointed out that the resident population of the City has fallen steadily ever since 1851, and is now only about one-fifth of the number at that date. In the central area, made up of the City and immediately adjacent districts, a similar decrease, but smaller in proportion, has been in progress since 1881. But in the outer zone of the Metropolitan Police area the recent decennial increases range between 40 and 50 per cent. And this notwithstanding the block dwellings, insanitary areas and overcrowded houses which abound in the central districts. The outward movement of London population, large as it has been, is yet inadequate to the need for healthy house-room. Its acceleration by the rating of land values is at least a change in the right direction.

I have been unable to find in either article any adequate argument in support of the view that more lofty buildings will be

erected in town centres as the result of rating land values. Major Darwin says (p. 331) "it would also, as a general rule, on the doctrine of margins, create a tendency for more capital to be expended on a given plot of land"; and again, "any cause tending to increase building in the centre of a town would tend to diminish building in the outskirts"; and he proceeds to indicate, as such cause, the inflow of population to the central districts, as to which it seems clear that he has misapprehended the effect of his own illustration, and that the flow of population will be outwards and not inwards. If this be so, the whole structure of his argument breaks down.

Mr. Cannan apparently (on pp. 42, 48) relies on the larger reduction in the rates likely to occur in towns as a basis for the same assumption. His opinion is that the increase of building will be "almost entirely, perhaps altogether, in London and the great towns." As a matter of fact, there will be no reduction in the *amount* of rates from the change of basis, either in town or country. There will be a large redistribution of the *proportions* in which the rate-burden is borne by individuals within each rating area; but for actual reductions in the cost of local government ratepayers must still rely upon careful and economical administration. There are two obvious fallacies in this part of Mr. Cannan's argument. First he confuses the reduction of rates in the outskirts of a great town with the reduction of the total amount of the rates borne by the whole town. In the second place, he says that "as population and means are limited, if more of the increase is in great towns, less must necessarily be in small towns and rural districts—that is to say, the increase will be mostly where it adds most to the total cost of construction and maintenance." In other words, Mr. Cannan argues that, because there is more building in the great towns, there *must* be less in small towns and rural districts. But if the hundreds of thousands of persons now overcrowded in London are enabled to obtain more house-room at rents within their means, it does not follow that the inhabitants of small towns and rural districts will have to put up with less. The two things have no possible connection. Mr. Cannan appears to base his argument upon the words "as population and means are limited." He seems to assume that if more houses are built in great towns, more people must come *from outside* to fill them; whereas my contention is that the overcrowded town population will spread into the new buildings. The phrase "means are limited" is vague; but in this connection it appears to mean that if more capital is spent on building

in London there must be a diminution in the capital so spent in the provinces. It does not require argument to show the fallacy of this conclusion.

The point which has not always been borne in mind is that the central area and middle zone in towns are usually fully built over. In the suburbs, however, there are always considerable areas of land not built on, and any impetus to house building must find its outlet in those localities where vacant sites abound, and not in the central districts. It is not to be imagined that any considerable *proportion* of houses in the localities already fully built will be increased in height, or pulled down and rebuilt on a larger scale. The principal change will be the substitution of commercial buildings for houses.

Except in the comparatively few cases where the demolition of an unsuitable house would really increase the owner's income by enabling him to realise dormant land value larger than the structural value destroyed, the policy of demolition would be suicidal. The addition of new floors to existing buildings, whether houses or business premises, must in practice be governed by the needs of the present occupiers for space and the ability of existing walls to carry additional weight. The law has wisely instituted a close relation between the height of buildings and the thickness of their walls; and the possibility of extra floors being added to existing buildings is limited.

The effect of the reform will be, in the outskirts where vacant land is cheap and plentiful, to make the cost of premises (rent of land + rent of building + rates) a smaller annual sum than at present. That will increase the demand for premises in the outskirts—not the centre. And in any case it is inconceivable that a reduction in cost in the outskirts should produce its main resulting increase of building in the centre where cost is greatest!

There remains the question whether, in consequence of the facilitation of the development of towns, rural populations will be depleted. This has already been partially considered. It will take a number of years to rearrange the population of the towns. The overcrowded three-quarters of a million in London will not be decently housed within a short space of time. But the freeing of the building industry from its present shackles should ultimately secure an approximation to the desired end. Will the towns then go on to rob the rural districts of their population in greater degree? For it must be remembered that urban populations, as a rule, increase already at a far greater rate than rural; in fact, the latter may fairly be described as little better than

stationary. In answer to this question it is safe to say that the rating of land values will not accelerate such a shifting of population. Its effect will be beneficial to rural industry as well as to urban. And in one respect the change will have a wider range in rural districts, namely, in removing restrictions on the use of land. In towns, apart from the idle land ripening for building on the outskirts, land is not frequently held out of use, though the building lease system often preserves old buildings beyond their period of usefulness, and thus prevents for a time the best use of their sites. In rural areas, however, land is not always dealt with on ordinary commercial lines. It is a means of giving dignity, power, and pleasure to its owner, as well as income; and the last item is not always his main consideration. Here in particular the rating of land values will come to the assistance of agriculture. Mr. Cannan says "you cannot encourage a farmer to enlarge his farmhouse by promising to free him from rates for dust collection." No! but by actually freeing buildings and other improvements from *all* rates, you will certainly make it easier and cheaper for him to improve not only his farmhouse, but his steadings also; and thus will be set up a greater attraction for capital to be invested in agriculture. Nor is this all. In those unfortunately rather numerous cases, where the interest on the outlay on buildings and improvements swallows up the whole of the rent, it is clear that the land value is *nil*; and all such farms—while these conditions prevail—will escape rates. I have little doubt, however, that the impetus given to agriculture by the change will speedily produce some land value, even in such cases. The important point, however, is that the rates will be levied *according to the land value*, and thus relief will automatically be given to poor farms in the proportion in which it is needed. Moreover, it is unlikely, under the new *régime*, that we shall hear much more of the inability to obtain land for allotments and small holdings. Under all these circumstances there is no reasonable doubt that more labour and more capital will be attracted to agriculture; and, on the whole, I am inclined to believe that the rural population will tend to increase under the proposed system, and will be able to resist the magnetic town influence not less effectively than at present, but more.

I have already referred to the failure of both articles now under discussion to consider the effects of the *present* rating system upon the problem of congestion. It is, however, only fair to say that Mr. Cannan came very near starting on this line of examination, but unfortunately discarded it after arriving, upon insufficient

grounds, at the conclusion that "the rating of buildings is a means for making people pay in proportion to what they get." The student of rating problems is much indebted to Mr. Cannan for the emphasis he has laid on the fact that rates for local administration are in the nature of payment for services rendered. This is exactly true of the total amount collected in any given rating area for the purely local services administered in that area.

But Mr. Cannan assumes that the same statement holds good with regard to the individual ratepayer. Even were it so, the rates for national services, such as poor relief and education, are exceptions to the doctrine, which thus leaves half the problem untouched. But the assumption will not bear examination. It is twofold: (1) "that the addition of buildings to bare land increases the expenses of the local authority, and (2) that the increase is greater the greater the value of the building of any particular class, no matter whether the increase of expense is in exactly the same or in a somewhat greater or smaller proportion than the increase of value" (p. 39). The form in which it is stated indicates that Mr. Cannan is himself aware of the weakness of this position, for he practically admits that no ratio can be established either between the value of the building and the increase in local expenditure, or between different classes of buildings. These admissions alone suffice to vitiate the attempt to prove a direct relation between building values and local expenditure; and, as a matter of fact, the variations are considerable. For instance, new buildings do not add to the expenses of the local authority in making new roads, as this cost is borne by the frontage owners. Again, shops do not add to those expenses in the matter of street lighting, as in providing their own light they also illuminate the street. The public lamps maintained by the local authority become really necessary to the general public only when the shops are closed and do not require them. If, however, everything that adds to the expenses of the local authority is on that account to become a basis of charge for rates, we shall soon get back to the days of the *octroi* and the poll-tax.

The principle of rating for local beneficial services lies in measuring the charge for them according to the benefit enjoyed by each ratepayer; and this is just what the values of individual buildings fail to do. Take the service of drainage as an instance. When a drainage system is laid out by a local authority the benefit is distributed over the district it serves, whether built on or not. The owner of vacant land can obtain a higher price or ground rent for it *because there is a drainage system*; and this benefit comes to him irrespective of the erection of the buildings.

Similar reasoning applies to the maintenance, lighting and cleansing of streets, and all other local services. In short, the benefits accruing from all beneficial services, although they are enjoyed by the occupier, take permanent and pecuniary shape only in the payment of rent for the use of the site made by the occupier, either directly or indirectly, to the landowner. Thus they invariably tend to enhance land value, which is clearly indicated as a much better measure of payment according to benefit than buildings. In view of this conclusion, it is unnecessary to follow up in detail the criticism of the new policy as being one of subsidising buildings. Local expenditure may perhaps be not unfairly termed a subsidy in aid of land values; but it does not add a sixpence to building values.

I have not attempted to follow Major Darwin into the wide field embraced by the doctrines of incidence. On the broad issue that the inclusion of buildings with land in a single assessment unduly burdens the outskirts of a town and unfairly benefits the centre, the exact proportion in which the unequal charge is divided between owner and occupier is of distinctly minor importance. If our local rates are levied in such a manner as seriously to hinder building, restrict the growth of towns, hamper commerce and industry, penalise enterprise, reward neglect, and produce race-decay through inadequate house accommodation, these facts are surely sufficient to condemn the system. It grew up—or, as Mr. Cannan says, “established itself”—on the basis of a law now three hundred years old, which provided that the poor should be relieved by the taxation of every inhabitant and every occupier in the parish. Its existence has throughout been marked by struggles between rating authority and ratepayer—Parliament occasionally intervening—to define a reasonable basis upon which inhabitants and occupiers should pay; and there are numerous points of this kind which to-day still require adjustment. During the nineteenth century, with an enormous increase of structural and other improvement values, and extreme variations of land value produced by the growth of towns, it has become quite unsuited to the economic conditions of this country. The time has arrived when its place should be taken by a simple system with a scientific basis.

EDGAR HARPER

SOME CONSIDERATIONS ABOUT INTEREST.

IN an essay recently published by the present writer the attempt was made to show that the general assumption that saving depended upon the rate of interest, increasing with its rise and diminishing with its fall, was, to say the least, *unproved*. The argument, indeed, went further. Certain reasons were adduced which undoubtedly tend, so far as they go, to a contrary conclusion; and to this extent it was contended that interest, though not without effect upon saving, operated in such a way, or rather in such different ways, that saving might well proceed, undeterred by alterations in the rate, or even in the absence of any rate. Of course, in this argument there is no suggestion that interest is a dispensable factor in the economy of a society regulated as our society is regulated; its existence depending, as it does, on circumstances involved in the demand for and the distribution of capital, as distinct from those relating to saving or the supply of capital.

Owing to the fact that this essay had been written some time ago, one form of the argument as to the social utility of interest, namely, that revived and so admirably stated by Dr. Cassel, received inadequate attention. The position taken by Dr. Cassel was indeed stated and subjected to some examination; but not to an examination so careful or methodical as it deserved. It is proposed in this paper to attempt some supplement to the essay in question.

The position to be considered can be briefly stated. Wholly independent of the argument by Böhm Bawerk, which attributes the need of interest to a difference in magnitude or utility, and so in incentive force between things in the present and things in the future, a need which may be modified or even neutralised, by apprehension and anxiety as to the future, it is necessary to recognise that the life of man is limited, and that therefore he cannot go on postponing indefinitely, that some time the future for which provision has been made arrives, when the period of consumption will replace that of postponement. Saving, that is, takes

place in view of needs which occur within fairly definite limits, and which are not capable of indefinite and continuous postponement. Consequently, it is urged, the particular method of saving adopted is of importance. Of methods of saving there are two under consideration. By one, that largely in use at the present time, whereby saving takes place chiefly in view of the income derived in interest, the provision for future wants is made in terms of interest; and so when the time for future satisfaction comes, needs are met without a withdrawal of the sum accumulated, from its use as productive capital. Under the alternative system, saving is governed by the consideration of the satisfaction to be obtained by the gradual consumption of the sum thus accumulated, and so when the needs provided against present themselves, that sum is necessarily and proportionately diminished, with, as a result, a corresponding decrease in the total productive capital. The conclusion drawn is that the former method is advantageous to society in general, and that therefore such a rate of interest is required as will secure its fairly general adoption. This rate has been stated as something under two per cent., having regard to the duration of life and to what may be called the period of anticipated needs. But the actual rate itself is not a matter of great consequence for our purpose, the main importance lying in the existence of some minimum rate sufficient to prevent the substitution of one method of securing the future for another method, which is held to be more advantageous to the productive interests not of the individual but of the community. The point at issue is whether the former method is necessarily less advantageous; whether, in other words, its adoption can be said to lead necessarily to such an alteration in accumulation as will diminish the amount of capital in industrial use. Saving, it will be generally admitted, will proceed, provided, that is, that the desire to provide for the future remains in undiminished force, but it will necessarily be more widespread, each succeeding generation being forced to provide for its future instead of relying upon the inheritance of the savings of the past, which are now reconverted into the form of immediate commodities to meet the actual needs, in view of which they have been specifically put aside. That new saving will take place cannot be doubted, but it may be doubted if it will take place in sufficient quantity to replace as capital that which is withdrawn.

With regard to this, certain considerations present themselves which may be dealt with under two headings.

In the first place, there are considerations which touch directly the point at issue.

Firstly, in this connection it may be questioned whether provision made by the two methods already sketched is in view of the same needs and embodies itself in equal satisfactions. In the one case a series of different wants extending over a specific number of years is provided for; but, in the other case, while equal provision is made for these, there remains over the total sum at the end of the period. But if this be so, the two cases are not analogous. Either certain possible satisfactions have been operating as incentives to saving in the latter case, or else, if not, a singularly foolish and uneconomical method has been adopted, those who save effecting provision for needs which they do not feel or anticipate. To put the cases on a level, it must be assumed that in each case provision is made for the same quantity of satisfactions and for no more. But if this be done, it seems clear that greater accumulations will be required in a system without interest than in a system with interest. Of course, it is not denied that long usage of a particular method may lead to the practical subordination of these further or, so to speak, *incidental* ends, so that they rest in many instances as unconscious results, or exist in others as sub-conscious incentives; but illusions of this kind are not a very stable basis. Indeed, it is quite clear that in many cases the bubble has been pricked. On the other hand, if these *incidental* satisfactions, which are secured by the survival of the total accumulation after the more immediate advantages definitely anticipated have been satisfied, are real and at all substantial, some effort will be made to provide for them, even if a method of saving be adopted which does not involve them so simply. Such provision, however, will necessitate greater accumulation than has previously been the case, and hence the provision of a new amount of capital which would go far to compensate or even more than compensate for the gradual withdrawals which take place.

It will not do, however, to overlook the possibility that postponement may suffer because of the less result ensuing. But this is a feature which takes place with every reduction in interest, though no doubt particularly accentuated here. For the present it may be reserved, with this remark, that it depends on the degree of apprehension and anxiety as to the future. If that be great, it seems difficult to assume that further savings would not be made, should such be necessary to the end in view.

Secondly, one general difference between the two methods

under review requires to be noted. In the case where interest exists, the uncertainty which attends on the wants of the future is naturally and simply provided for. If life be prolonged, the income from interest still continues. But in the other case it would seem probable that, in many instances, at any rate, some species of insurance will be required. Possibly, if the period over which consumption of the corpus is to be spread extend over sixty or seventy years, insurance would not be necessary; but it may be assumed that even then in some instances insurance will be adopted. If this be so, a definite diminution in the amount saved would seem probable, since provision by insurance for contingencies requires a smaller amount of accumulation than when provision is made separately by each individual. Still, after all, two things must be remembered. Insurance under a system of interest requires a smaller amount of accumulation than if there be no interest, granted that the ends contemplated be the same. Again, even under existing conditions insurance is an increasing means of providing for the future. During the last few years a great development has taken place in the benefits offered, policies providing for annuities and lump sums on death prior to the date of such annuities enabling provision to be made by the same act for various possible needs. From all accounts a considerable increase in this method of providing for the future has occurred. With this in view, the effect of a system of saving without interest would be to accelerate rather than to occasion the adoption of insurance, while at the same time, owing to it, a larger accumulation of wealth would be required than were interest in existence, granted, of course, that provision be made for approximately the same needs.

With regard to the difference between the two systems, one thing must be added. If insurance be involved, the great advantage of the interest-bearing system in early times is obvious. The uncertainty besetting the future until definitely calculated could not be provided against except by permanent annual income. Only with the growth of accuracy, both in the actual appreciation of specific wants and in the estimate of their probability, can any other system bear comparison with it. Even so, it is clearly open to discussion whether any other system, carefully elaborated though it may be, can offer a means of provision so far-reaching in the objects combined and so satisfactory from the standpoint of permanence. But this point, like that mentioned above, may stand over for the time.

In the second place, we must turn to the consequences ensuing

from a system under which the burden of providing for future wants would be imposed mainly upon the generation concerned.

Firstly, one result of such a change would be a considerable increase in the industrial efficiency of a class which is now largely supported by wealth saved by others and inherited from them. There would be more productive labour. Though this has no direct concern with saving, in one way it may affect it indirectly through the general increase taking place in the production of the community. For a time no doubt there would be even greater competition for capital, but with the growing power of the community itself a larger revenue would accrue, out of which savings might be made, if only the need for them by an appreciation of the wants of the future be adequately realised. Ultimate results such as this may possibly be deemed too hypothetical to be taken into account in this narrower consideration. It is well, however, to notice them, and to remember that so far as this aspect is concerned the absence of interest would have advantageous rather than detrimental results.

Secondly, the consequences on saving of a greater distribution of wealth among those in receipt of wages, salaries, and all forms of direct earnings must be borne in view. The reduction or the withdrawal of interest will be accompanied by an increase in the direct earnings of those engaged in work, including under this all payments made for personal service. It is difficult to determine how far this would affect saving, just because the grounds for an estimate as to the classes contributing to saving even in the past and present seem wanting. But if it is difficult to determine at all certainly the classes which, given their wealth, contribute proportionally the most to the capital of the country at the present time, it is far more difficult to say what classes would contribute the most under a new order of things. Probably the general result would be for a wide distribution among the population, with a consequent rise in the earnings of the less well off classes out of proportion to those of the more highly paid few. According to generally accepted statistical estimates, this has been a feature, so far as this country is concerned, of the last half-century or so; but if this has been so, it has not had any detrimental effect upon accumulation. That has grown. So far as it goes, it would seem fair to conclude that an alteration in distribution would be unattended by detrimental effects upon saving. Possibly it might be safe to go further and to substitute a more positive conclusion.

Thirdly, a more definite result would seem to be the prevention

of a good deal of the waste of past savings which now takes place. Though the main object of this paper is to investigate the influence on saving of a particular system, it must be remembered that the suggested defect in this system is not that saving would not exist, but that the amount saved would be converted to the satisfaction of the wants of those who have saved it. Consequently it is by no means impertinent to inquire how far some process of gradual and wasteful attrition takes place at the present time. Here again so far as quantities are concerned we are involved in surmises, and no estimate is possible. But so far as the main matter is concerned there is little room for doubt. Unfortunately not only is the capital sum thus withdrawn from use, but it is often wastefully withdrawn, and when this occurs usually by those who are the least likely persons in the world to assist in its replacement. Now under the one system with drawal from capital use for consumption use takes place in normal course, and is met equally normally by replacement. Even were it proved that a somewhat smaller amount would at any given time be in capital use, savings would be applied to the satisfaction of definite wants for which specific provision is required, and replacement would take place systematically. Over against this we must reckon what occurs at the present time, when the sum saved is withdrawn, being either through extravagance or carelessness applied to anything but wants specifically in view when provision was made, and without any probability of concurrent replacement. Putting aside the nature of the consumption, whether wasteful or extravagant—which, after all, is beside the mark so far as the present inquiry is concerned—there remains withdrawal without replacement, a process which undoubtedly tends to a diminution of the active productive capital of the country. This occurs at the hands not, as a rule, of those who have saved, who after all have some object in view during their calculated abstention, but at the hands of those who inherit, who, it is suggested, think of anything rather than subsequent replacement.

. It must, however, be remembered that this would not take place in a society, were all persons, those who inherit savings equally with those who inherit nothing but personal qualities, compelled to work; but it seems undoubted that inherited wealth as an institution tends somewhat in the opposite direction, and under its *régime* we may expect in consequence a certain amount of withdrawal to occur. The only question is how this, occurring as it does without replacement, stands as compared with any alleged diminution due to a system of continuous con-

sumption use of the sum saved, accompanied as that is by systematic replacement.

Under the foregoing headings certain considerations have been adduced with the object of showing that the suggestion that under a system of saving without interest there would be less capital at the disposal of a community is less certain than it may seem at first sight; that on the contrary and owing to the action of forces, some indeed problematic but some very fairly certain, the very opposite may take place; that under certain conditions the impulse to save may be enforced and new opportunities for accumulation may be occasioned, while at the same time a definite and uncompensated withdrawal from use may be avoided. But much of what has been said on these points depends on matters which after mention were reserved for fuller discussion. Before turning to these the case may be restated.

The assumption that under a system with interest saving would result in a larger provision of capital than if there were no interest appears initially to be tenable only if the existence of the capital sum at the end of the period saved for, or after the range of satisfactions sought and attained, is ignored. Its possession and continuance after these has either served as an incentive, in which case a like incentive under the alternative system might result in more accumulation, or is a mere incident without stimulus or result, in which case it may be assumed the increase of intelligence will lead to the consumption of capital as well as interest within the period or area covered by anticipation. But in this case saving, if it fulfil the same purpose, will result in a larger provision of capital when there is no interest than when such is paid. Again, the very alteration in method to which attention is directed develops conditions likely to be favourable rather than unfavourable to the supply of such capital.

But this, if put otherwise than tentatively, assumes certain conclusions in respect of these questions.

First of all, custom at any rate lends some warrant to the view that under existing circumstances the survival of the total sum set aside may itself be an object so long as it be linked with the possibility of some not inadequate personal benefit; but that if severed from such it would cease to stimulate postponement. Pride and a species of indefinite apprehension have invested the capital as distinct from the income with sanctity. Despite the fact that in many cases living on capital is the most sensible thing to do, prudent people shrink from such a course. Nor is their intention likely to be attacked by the younger generation surrounding them.

Again, there is the undoubted fact that the existence of interest enables a given amount of saving to achieve greater satisfactions, a feature which presents itself in this instance just as it does when a rise in the rate is contemplated. The position is a perfectly simple one. Granted an increase without effort in the amount saved, what, it may be asked, will be the result? This has been discussed elsewhere so far as alterations in the rate of interest are concerned. Here the form is different, but the principle the same. It is a case of eating the cake and yet having it, no doubt much pleasanter in many ways; but the only point to be considered in this connection is whether this possibility leads to a larger or a smaller cake. In both instances it must be remembered there is a comparison to be made as between the present and the future, and, on the whole, what is required in the future depends on what is being enjoyed in the present. The mere fact that it is more agreeable to save when something is done to transform what is saved into some larger sum does not determine the matter, since it is quite possible that the ultimate result will be something more in the present, and so a less provision of productive capital. After all, people do not spend their lives saving as much as they can, but as much as they are willing to spare from the present, and the standard of present wants is fairly elastic. On the other hand, it is equally true that given the degree of apprehension and anticipation existing at the time, saving must be made to seem worth while.

Thirdly, however, when the position which would occur in the absence of interest is discussed, a special turn is given to the matters considered above. Under early conditions, and possibly under conditions prevailing in some instances at the present time, an interest-bearing system offers particular guarantees alike as to permanence, and so security, and as to the possibility of combining a large reserve against special contingencies with an annual income till such be needed or in its continued absence. Before the development of insurance, and especially of the more varied methods to which allusion has been made, the superiority of such a system could not be contested; and even now in some respects it continues to offer special advantages, and so to present to some the best means of effecting provision sufficiently adapted to their circumstances to tempt them to save. In some instances, on the other hand, the absence of interest will tend to increase the amount accumulated.

The considerations suggested in these last paragraphs, though they may modify the conclusions previously stated so far as their immediate applicability is concerned, do not invalidate them. It

may be true that unreasoned prejudice still leads to the desire to die possessed of a fortune, be it large or small, and so to achieve an exit from the world irradiated by a thrifty splendour; but there are signs that this is less forcible than it once was. It is also true that the more elaborate methods of insurance are of comparative recent date; but there is every sign that insurance for the various needs of the future is continually more resorted to. The point at issue is not whether at the present moment interest is influential in securing a larger provision of capital than would otherwise be in use, but whether, taking things as they are and tendencies as they present themselves, it is *essential* for such a purpose. This does not seem to be the case. At any rate, much more proof is required in support of any such position.

Undoubtedly it might hold good under one set of circumstances, namely, if the inheritance of wealth did not hinder the action of those who inherit either in work or in the desire to make further provision for the future. In this case larger accumulations of wealth to be used as capital would be insured, since with energy in labour undiminished the standard of living in the present, and so in respect of what is wanted for the future, would be raised.

A few words as to the general problem of interest will not be out of place. The point raised here and elsewhere is not the position of interest as existing in a competitive society conditioned as at present. That is secured, if in no other way, by the circumstances of the demand for capital and the manner in which it is distributed among those who use it. Still less is the effect of interest in certain social phases doubted. The question at issue is whether interest is or is not essential to accumulation in an age keenly alive to the vicissitudes of the future and anxious as to what it may bring forth. The answer in the affirmative rests on two grounds.

On the one hand there is Böhm Bawerk's theory, which treats interest as necessary, because it adds enough to make the prospect of future enjoyment equal to that foregone or postponed. The conception is individualistic. The future is emphasised to incite the individual to save. On the other hand, we have the view now under consideration which treats the matter from the point of view of the community rather than of the individual. The need is not so much of leading the individual to postpone as of securing that provision for the future be made in one rather than another way.

Now with regard to the first it is recognised by many, as indeed by Böhm Bawerk, that given a certain degree of anxiety

interest might not be required. But there are certain factors which have been inadequately recognised, if indeed recognised at all. One is the difference of motive among those saving; the other, the restriction placed upon the amount required in the future by the present standard.

With regard to the second ground, the considerations raised in this paper must be taken into account. They are wider than those previously dealt with; but then the position is itself less defined, affecting, as it does, the general advantage of the community rather than the specific inducements required to make an individual realise the future.

In conclusion, the factors which underlie the problem of saving, and so affect interest, may be enumerated. The following considerations appear to be permanent :—

(a) Postponement is determined by a comparison between present and future satisfactions.

(b) The wants to be satisfied in the future are in the main determined by those satisfied under the present standard of living..

(c) Future wants are not capable of indefinite postponement, the anticipation of the future being conditioned by the duration of life.

(d) The possibility of complete provision is in many cases necessary to induce saving.

(e) The motives of saving are not uniform, and so not subject to the same laws.

But operating among these conditions there are other factors or influences which may be termed variable, altering with time, and so exerting greater or less effect as the case may be. Such are :—

1. The degree of anxiety or apprehension as to the future.
2. The desire for the possession of a lump sum of wealth in itself, and apart from considerations of its definite use.
3. The growth of insurance, which is independent of interest.

Taking account of these, it would seem obvious that the problem of saving and interest, so far from being statical, is essentially dynamical. With different phases of society different methods of providing for the future present themselves. What is wanted most is not a history of the theories held about interest or saving, but a history of these as they have presented themselves in the past and operated under different conditions.

E. C. K. GONNER

LAWS OF INCREASING AND DECREASING RETURNS IN PRODUCTION AND CONSUMPTION.

THE distinction between economic laws grounded upon reasoning from fundamental data, which relate to abstractions, and those dependent upon observation of the general course of events, which relate more directly to actual affairs, is commonly recognised. For convenience I shall term the first "formal" or "abstract" laws, and the latter "material" or "realistic" laws. We shall be concerned here only with the former.¹ I suggest that the terms "formal law of increasing returns" and "formal law of decreasing returns" should be applied, in their relation to production, to universal statements regarding the effect upon quantity of output of variations in the quantity and arrangements of agents or factors, apart from the influence of facts connected with the supply of agents and variations of the ratio between the several qualities of each. Any laws purely of production must, of course, refer to the output measured in kind and not in money. The value of the product is a function also of demand, and a law purely of production must be true independently of laws of demand. The generalisations sought are intended to be *static*, in the sense that their truth is not dependent upon progress in knowledge or invention. Interesting *dynamic* uniformities could be formulated, but these are not our present objective.

I shall now attempt to assign a precise meaning to the "formal law of increasing returns." It will be generally agreed, or at

¹ The latter, of course, cannot partake of universality in the same degree as the former, which by abstraction rule out disturbing factors. Professor Marshall, following English tradition, understands by the "laws of increasing and diminishing returns" realistic uniformities. Thus he writes (pp. 318-9, *Principles*, 5th Ed.), "We say broadly, that while the part which nature plays in production shows a tendency to diminishing return, the part which man plays shows a tendency to increasing return. The *law of increasing return* may be worded thus: An increase of capital and labour leads generally to an improved organisation, which increases the efficiency of the work of capital and labour." With these uniformities I am not dealing, except in so far as they receive deductive support from more fundamental generalisations.

least suspected, that the conditions and effects of specialisation lie at the root of any such law. Specialisation indicates (1) a restriction of the purpose to which a given factor is applied, and, sometimes, in addition (2) a change undergone by the factor whereby it is enabled to perform better its limited function. Even if the agent is not adapted to its end by alteration of its character, economy may result (a) from the closer correspondence between capacity in the agent and its task, which is rendered possible by restriction of the offices of each agent (it being supposed that differences exist between the units, or some of them, of each group of factors); or (b) from some saving of the time spent in agents periodically changing from one task to another. From these considerations it would appear that the following statement is universally true, though actually in some cases the gain from the greater specialisation might be insignificant:—*The greater the degree of specialisation within a class of factors the greater is the efficiency of the class, other things being equal.* Another uniformity may also be affirmed, namely, that *as the quantity of a factor in production is increased its productive power per unit tends to be raised*—owing to the wider scope offered for specialism.

By deduction from these fundamental truths we may now proceed to formulate the law of which we are in search. Evidently, were no further specialisation to result from the all-round proportionate enlargement of a group of factors engaged in turning out a given product, the product would increase at the same rate as the factors. This would merely be a case of reduplicating existing productive systems, and identical causes have identical effects. But, since every multiplication of factors broadens the scope for specialism, we may affirm what I should propose to call the formal law of increasing returns,¹ that *if factors in production be proportionately increased by successive increments the corresponding marginal outputs will tend to rise.*²

¹ I use increasing and decreasing returns in the sense given to them by Prof. Edgeworth in *ECONOMIC JOURNAL*, Vol. ix., p. 294.

² The objection might be raised that at some stage the greater complexity of arrangement entailed by increased specialism might stop further specialism, and that therefore constant returns might be reached, though decreasing returns never could be. To this contention it would seem to be an adequate response that, inasmuch as *ex hypothesi* the quantity of all factors is added to, more specialism could always be secured without greater complexity per unit of organising power resulting. Further, the consequent specialisation of the organising power would raise its efficiency. However, it is of course highly improbable that a proportionate increase of all the factors will lead to a larger return than could be procured by any conceivable disproportionate increases involving the same cost, even though it be assumed that the arrangement of factors was the most economical possible at the starting point.

It is more difficult to frame a satisfactory uniformity relating to decreasing returns. * Decreasing returns, when regarded on the same formal plane as increasing returns, are found to be connected with certain disproportionate variations of the factors in production but not with all disproportionate variations. *If of a group of factors, a part (which does not exhaust all the necessary¹ constituents of the group) be increased by successive and similar increments, any increase of the output must in time take place at a decreasing rate, and finally the output must begin to diminish.* The truth of this statement follows from the fact that after a time the scarcity of the necessary factor, or factors, kept constant would increasingly check the expression of the powers of the augmented factors, until finally an additional increment would prove only an encumbrance.² Obviously increasing potential efficiency on the part of the augmented factors could not indefinitely counteract the decreasing returns so brought about. However, observe that decreasing returns do not necessarily appear at once in the circumstances supposed, as increasing returns would if the same group of factors were augmented proportionately.³ First increasing returns might be witnessed; and it is conceivable that, following upon a period of decreasing returns, increasing returns might be met with, and even recur after a relapse to decreasing returns, before the ultimate stage of decreasing returns was reached.⁴ Hence the formal law of decreasing returns must

¹ The word "necessary" has had to be introduced, as otherwise a factor which could be dispensed with might be taken as the constant part, and in this case the increase proportionally of the remainder might eventually cause increasing returns.

² I assume that no factor exists, the use of excessive quantities of which would cause no inconvenience. It is understood that part of a factor cannot be ignored. (See next note.)

³ Actually, specialisation being supposed inoperative, diminishing returns would tend to be experienced from the outset, because an employer would put a factor to its most serviceable use even if entire neglect of some portion of the other factors were involved. Thus Robinson Crusoe would have set Friday to till such an area of ground as would have yielded the maximum harvest attainable by Friday's labour. He would never have dreamt of making Friday spread his labour evenly over the whole island. If he had made Friday work in this way then the immigration of more Fridays would have resulted in increasing returns for a time, apart from the division of labour. In laying down the formal law we assume that Robinson Crusoe must in the first instance try to work the whole island. If swarms of Fridays crowded to the island the new-comers would after a time retard instead of helping those at work there.

⁴ Thus, the costs* of all factors being supposed constant, it is possible that for a given expenditure there might be several arrangements of agents yielding maxima results all of which maxima need not be of the same amount. By "maxima" here I mean results, greater than any attained by making small variations in any direction* from the positions indicated, the total cost being kept constant. Variations in any direction, on the condition of the same total cost being retained,

be phrased as follows, if it is desired to keep it complementary in form to the formal law of increasing returns, and to frame it so as to express our full knowledge of the conditions of decreasing returns :—*If of a group of factors, a part (which does not exhaust all the necessary constituents of the group) be increased, the increase of the output must in time take place at a decreasing rate, and finally the output must begin to diminish, but before the ultimate stage of decreasing marginal returns is reached increasing marginal returns may be experienced, or results oscillating from increasing to decreasing marginal returns.*

II.

I propose next by analysis of the actual production of commodities to elicit its forms with a view to determining the unitary factors in the several fields wherein the laws of increasing and decreasing returns are in operation. In all production of commodities, the agents (of which there must be more than one, for there must be at least labour and material or land) tend to be united in a hierarchy of systems. We may distinguish :—

Systems of the First Order.—These are individual businesses, whether manufacturing or agricultural, or of other kinds. Usually in manufacturing each business means one factory, but it may include more than one. Some businesses comprising more than one factory are not readily classified. To meet the difficulty systems of sub-orders might be admitted ; but here I pretend only to sketch. In a highly differentiated community it is exceedingly probable that several forms will co-exist among systems of the first order producing the same thing. Each will indicate a position of stable equilibrium.¹

Now it is clear, from the exposition already given of the formal laws of increasing and decreasing returns, that if any part (which does not exhaust the necessary constituents) of a system of the first order be continuously augmented, the product will be obtained at some stage at a decreasing rate. Further, it is clear that the same effect must ultimately succeed the continuous would meet at first with decreasing returns, though they might occasion eventually increasing returns for a time.

¹ There cannot, therefore, be any continuous mutation of one such form into another. Any system could only pass continuously into another through an avenue of losses which would at first expand and then contract. More advantageous systems are approached only through fundamental reconstructions and then realised in detail by the operation of the law of substitution, the proportions of factors being varied till their marginal worths in relation to cost are equal. Other things remaining the same, the more advantageous system once reached tends to supplant the less advantageous.

all-round expansion of a system of the first order (the growth proportionately of an individual business, including material, &c., used), on the assumption that the employer is strictly necessary; for there would be limitation of the directing power. If the employer is not to be regarded as strictly necessary, then it can be deduced from our formula that though the ultimate effect would tend to be increasing returns, the penultimate would be decreasing returns. At the point of divergence the effect of the employer would be zero.¹

Systems of the Second Order.—These are constituted of the many businesses of various kinds (systems of the first order) concerned in the production of some one commodity.² It is evident that a system of the second order is not self-contained within defined boundaries. It is frequently compounded of many ‘industries,’ as that term is commonly used, and of portions of others. Industries overlap, parts of one subserving another—pig iron, for instance, is utilised for other objects than steel rails. A system of the second order may be a highly complicated arrangement of specialised industrial businesses linked together by commercial connections. Two broadly distinguishable types may be contrasted: (a) the one wherein a commodity is passed on by purchase to undergo the next finishing process; (b) the other wherein a central business contracts with other and different businesses to perform processes upon its goods. Actually in most cases the two types are found intermingled. Let the industrial processes involved in the production of a commodity X be A, B, and C; let dealing functions, with reference to the buying or selling of either commodities or services, be indicated by small letters, and the commercial connections with the providers of raw material on the one hand and consumers on the other hand be omitted; and let the independence of a business be indicated by brackets: then, evidently, in both contrasted types the business units of the system must be one in kind of the form, (A, B, C); or

¹ These laws are true, of course, whether at the starting point the arrangement of factors was in position of equilibrium or not. It being assumed that the starting point is such a position of equilibrium, it does not follow that the decreasing returns which refer to the relation between quantity of output and quantitative variations of the factors would operate at once, though the decreasing returns which refer to the relation between costs of production and value of output would theoretically operate at once. The position of equilibrium is reached by balancing *value* of product against *cost* of attaining it, as already stated.

² “Processes” would naturally be thought of as the next highest units to those recognised in systems of the first order, but the admission of this step in the productive hierarchy had better be withheld in a general treatment because (a) “processes” are not easily defined, and (b) their separate recognition as units raises no distinct problems.

three in kind of forms, (A, a), (b, B, b'), (c, C); or five in kind of forms, (A), (a, b), (B), (b', c), (C); or must consist in certain variations between these forms. That is, in so far as specialism in the system takes place by processes, commercial functions may specialise as distinct businesses, or they may remain as wings of the manufacturing businesses. The same analysis might be applied to the relations of a business with the sellers of material, plant, &c., and with customers; and, of course, the commercial ties, binding any industrial business with the whole of which it is a part, may be many.

With regard to the formal laws of increasing and decreasing returns, "businesses" may be taken as the unitary factors in these systems of the second order. Evidently decreasing returns ultimately result, subject to the conditions laid down above, not only from a continuous partial increase of factors within a business, but also from a continuous partial increase of factors (business) within systems of the second order.¹ Thus, if businesses were added to the spinning branch of the cotton industry, other parts being kept constant, the increase of the product of the manufacturing branch would take place ultimately at a diminishing rate. The gain derived from the greater specialisation of spinning businesses would be counteracted at some stage by the diminishing utility of spinning to the industry as a whole, apart from this specialism. But increasing returns would tend to result from expansion of the industry as a whole; that is to say, if the numbers of businesses of all kinds involved in a system of the second order were proportionately raised, the product would tend to advance at an increasing rate in the long run.² At first the rule would be constant returns because the intenser specialisation of businesses is only brought about very slowly.

It might be thought necessary for logical completeness to introduce here the conception of all the industries of the community as a *system of the third order*, and if "industry" be understood in the ordinary sense of the term it would be necessary because industries are systematically related to one another for the production of certain articles. According to our terminology here, however, industries so related form a system of the second order.

¹ I shall ignore here the distinction, as regards effects, between local and world-wide expansions of an industry with world-wide markets, which I have already discussed to some extent in this Journal, vol. xv., p. 191 *et seq.*

² The assumption is made, the reader is reminded, that recourse to a lower quality of factors is not entailed. The chance of the quality of some factors falling off, however, is far from being negligible in industries needing in their factors peculiar qualities supplies of which are limited.

Industries making different things do not constitute a system at all on the side of production alone, as "production" has been used in this article. They become a system in relation to consumption and supplies of natural agents, because all draw upon these natural agents and all produce to satisfy human demands, and all are rivals, therefore, directly or indirectly, in securing natural agents and disposing of their products.

III.

Transferring our attention to the problem of consumption, we observe that consumption is organised in systems analogous to those of production. Commodities and services are produced by organised systems of factors, and commodities are demanded grouped in the systematic wholes which constitute the standards of life of persons. The latter we may call *systems of consumption of the first order*. A *system of consumption of the second order* would be compounded of these, comprising the consumption-schemes of persons brought directly or indirectly into touch with one another as consumers. Evidently the systems of the second order in consumption are overlapping like systems of the same order in production. Our problem is concerned with the relations between proportionate and disproportionate variations of these systems and the satisfaction derived from consumption.

Does the fundamental law of specialism apply? Clearly it does as regards commodities and services in systems of the first order—and even as regards systems of the first order in a system of the second order in a limited degree, as we shall observe in the concluding paragraph—if commodities be generalised as factors were generalised when we dealt with production. If, for instance, a person can afford to have only one chair, it will be chosen to serve best in general the purposes of rest, meals, and work; but, if he can afford two, they will not be the same but specialised, one, say, as an easy chair and one as a straight-backed chair, and for a special purpose a chair specialised to that purpose will produce more satisfaction than the compromise chair. Again, it is only when his income has passed a certain limit that a person finds it economical to acquire the conveniences, over and above those afforded by hired conveyances, involved in keeping a private carriage; just as certain highly specialised machinery does not become economical to an employer until his business has attained a certain size.

Systems of the first order are identical in consumption and production in that every system of either group has reference to

a supposed quantitatively invariable individual, the consumer in the one case and the employer in the other. We may at once declare that continuous quantitative variations, whether of the part or the whole, of systems of consumption of the first order must result at some stage in decreasing marginal satisfactions, and finally in a shrinkage of total satisfaction, on the understanding (analogous to the assumption made above that no incorporated agent in production must be ignored) that every commodity or service acquired must be consumed. This may be taken as the full meaning of the law of diminishing utility.

On examining systems of the higher order in consumption we discover that although the organic connections between their parts (systems of the first order), which enable the law of specialism to be predicated, are less than in productive systems of the second order, they exist, nevertheless, to some extent. One instance occurs in relation to "public goods," which can be provided only when the community on a particular spot has reached a certain magnitude. Examples of such "public goods" are parks, libraries, theatres, street lighting, good and pleasant roads, and conveniences in the supply of water and illumination provided for houses. Again, from a large volume of commodities each person will get more exactly what he or she wants, and in consequence more satisfaction, than from a small volume of commodities. Hence the law of increasing returns is true of systems of the higher order. Add proportionately to all the classes in the community, then (both the means of each person to satisfy wants and schemes of consumption being taken as constant) the total satisfaction of the community will tend to rise at an increasing rate. It does not appear, however, that decreasing returns must accompany expansion of systems of consumption of the second order which takes place solely by augmentation of qualitatively distinct branches of these systems, because such branches are subsidiary to one another only in a strictly limited degree. When two commodities, or two qualities of one commodity, are produced jointly, and one is consumed by one class and the other by another class, the growth of the one class only in the community (schemes of consumption and power to get goods being taken as constant in each class) would no doubt necessitate decreasing returns of satisfaction ultimately, were it not for the counteracting influence of increasing returns in satisfaction associated with the growing class. There might, and there might not, be decreasing returns. We are taking no account, observe, of the effects of a growing population upon productive power.

S. J. CHARMAN

REVIEWS

West Ham. A Study in Social and Industrial Problems, being the Report of the Outer London Inquiry Committee. Compiled by Edward G. Howarth and Mona Wilson. Pp. ix + 423. (London: J. M. Dent and Co.) Price 6s. net.

THE winter of 1904-5 will be ever remarkable for the discovery of West Ham by the general public. Before that date the name of West Ham, if it was known at all, was vaguely known as that of a spot somewhere near London to which people went with reluctance if they had business there, and from which they returned with joy as soon as the business was over. Though among the dozen largest towns in the United Kingdom, it lay silent and unnoticed in a corner bounded by the rivers Thames and Lea. But in the winter of 1904-5 it became articulate, and its voice reached the civilised places of the land. The depression of trade culminated in that year; while repeated fogs about Christmas brought work at the docks to a standstill. The acuteness of the distress attracted attention; tidings of the unemployed crept into the columns of the daily Press; relief funds were opened by sundry papers; eager reporters arrived in hansom cabs loaded with meat and grocery tickets, of which they distributed an incredibly large number in an incredibly short space of time, and returned home at night to spread the fame of their exploits. There arose a panic in West Ham; there arose a panic at that panic in the world outside; and there was all the chaos and confusion born of such panics. But as the winter passed the distress abated; West Ham began to slip from men's minds—not to be recalled until some new phenomenon should focus upon it again the fierce glare of an unhealthy notoriety.

But the panic of 1904-5 has in this case led to further results; it has led to the present volume. A Committee was formed to carry out a detailed examination of the affairs of West Ham. It

contained among its members Canon Barnett, Messrs. A. L. Bowley, J. A. Hobson, Mrs. Sidney Webb, the Right Hon. J. Bryce, and other people familiar with methods of investigation or with problems of poverty. The lines of the inquiry were laid down by the Committee, and the detailed work was carried out by the two persons whose names appear on the title-page. "The object has been to single out for investigation those conditions, which were most likely to exhibit features peculiar either to West Ham or to extra-metropolitan areas generally. Other questions, however important in their bearing on the lives of the industrial classes, have been considered to fall outside the scope of this report." While the aim of the Committee was thus limited, it has within these limits completed an inquiry which, for the wealth of detail and the mass of statistics contained, has never before been equalled in the many studies of the conditions of a town. It tells us of things not only as they are now, but as they were in preceding years; its elaborate tables of rents, of employment at the docks, or of pauperism range over a considerable period. We not only see the town in its present state, but also watch the general trend of events. It is only possible here to touch on a few of the most salient points..

In the year 1851 the population of West Ham was 18,817; in the year 1901 it had risen to 267,358. A town of over a quarter of a million inhabitants had, practically speaking, been called into existence within the brief space of half a century. The numbers are still increasing; even in the last decade 62,455 persons were added. It presented a matchless field for the energies of the speculative builder, and building speculation ran wild and unregulated. For the greater portion of the time the building regulations were few and not properly enforced. Land-owners were eager to reap the rich harvest of rising values and parted readily with their estates, lending money to small builders or sometimes going into partnership with them. Houses were sold as soon as completed, and the purchase money served for further enterprises. A curious and instructive chapter explains in detail the method followed and its evil consequences. West Ham rests upon what was once marsh land, and a large portion is below the river level. No rules required concrete foundations; and in certain parts visited the houses appeared to be sinking into the marsh on which they stood. Over nearly the whole of the fifty years the number of persons per house steadily rose; and in the last decade "the borough is one of the eight places in England and Wales where the number of persons per inhabited

house has increased." Almost one-half of the population was housed in tenements of less than five rooms. Not only was there overcrowding, bad building, and a lack of open spaces, there was also a curious product of speculation—the derelict house. The builder would fail and the mortgagee foreclose, but, unable to get the necessary price and unwilling to spend money on the property of another, took what rent he could without doing anything in the way of repairs. The condition of the house fell from bad to worse; and its sorry appearance gave an evil character to the whole street. The following is a description of one of these streets:—

In street A many of the houses were closed, and their doors and windows boarded up. In some cases half the house was let, while the other half was empty, and in a state of complete dilapidation. The paper and plaster of some were peeling off the walls and ceilings, and the kitchen ranges were broken. At the time of our visit the palings separating the yards behind from the yards of the next street had been removed, presumably for firewood, so that instead of yards and gardens, a large neglected open space lay between the two streets. Several of these houses were for sale. The notice advertised them as "Well let weekly property in excellent condition and all in good repair."

This picture of a town growing up without control, without time to develop a proper government, or even to realise what was happening, is not only a lamentable spectacle of waste and neglect, it is also a warning. For something of the same kind is even now going on in districts round the outskirts of London and other great towns. Beyond the domains of most large cities are areas once rural, but now becoming rapidly urbanised. Lying outside the building regulations, but within easy reach of the business quarters, they afford an irresistible attraction to the speculative builder. Those lines of trim villas of to-day the train passes before it reaches the town proper are the slums of to-morrow. With the increase of population the poor are thrust over the borders of the town, and villadom, viewing their advent with horror, flies to new villas further afield, leaving the old villas, already showing signs of their hasty construction, to be occupied by two or three families. So the process continues, and will continue until some authority is entrusted with large powers of regulating the expansion of cities beyond their own borders.

From a purely economic standpoint the most interesting portion of the part of the volume devoted to housing is to be found in the elaborate tables and charts of rents. Immense pains have

been given to the task of making these as complete as possible. The figures have been obtained by an examination of the weekly rent-books of various house-agents, and stretch from 1888 to 1905. Rent and arrears are both noted and compared. The number of observations "is so large, representing altogether about one-eighth of the cottage property in West Ham, that the numbers are believed to be a fair sample." They should, therefore, throw considerable light upon the effect of rates upon rent. "The variation in rents is from 7s. 2d. in 1888 to a maximum of 8s. 4d. in 1903, with a minimum of 6s. 9d., which was most marked in 1891. Rents appear to have fallen considerably since 1903. During the same period the rates have almost doubled, moving from 5s. 8d. to 10s. 8d. in the pound." It must be borne in mind, though the fact is stated only in an obscure footnote, that the figures for the rent include the rates.

If individual years are selected, it is possible to discover short periods when rent and rates rose or fell together, though the variation in the latter is out of all proportion to the variation in the former. But these are few; and so far as West Ham is concerned, there appears no connection between rises in rates and corresponding rises in rents. Nor is there any clear evidence to show that the high rates affected the manufacturers. "Of the rumours concerning manufacturers who were leaving the district on account of the rates, only one or two bore investigation, as the question of rates was not usually the determining consideration."

The second portion of the volume is devoted to a study of the industries of West Ham. "The main industrial problem was obviously that of casual labour, and the chief sources of casual labour, the Victoria and Albert Docks, therefore called for special investigation." Here, again, there are given elaborate tables of the number of men employed, stretching over a period of eleven years. The possibility of regularising the labour is also considered. It is shown that "on an average 59 per cent. of the men could have been employed regularly five days a week and upwards, 5·5 four days a week, 4·4 three days a week, 4·5 two days a week, 5·8 one day a week, and 20·7 less than one day a week." The figures indicate the seriousness of the problem of casual labour which faces us in connection with the docks. The difficulty could only be met satisfactorily by a general organisation of the unskilled labour market.

Another interesting problem lies in the attempt to discover the connection between casual labour and home-work. The investi-

gators met with considerable difficulty in their inquiries. Out of 294 cases of home-work which were visited, 142 of the husbands were labourers; while in the remainder a scarcity of employment on the part of the man was the most general reason why the woman was driven to start some trade in the house. A mass of information about the rates of pay and the character of the industry was collected and appears in the volume.

The last portion of the volume is devoted to a description of the work of the Town Council, the Guardians, and the religious and philanthropic bodies. Here we are shown that there is no ground for the statements about the Socialist *régime* at West Ham. "The Labour group" was supreme for one year only with a majority of ten," and this for a Labour group, split up into sections, is not a working majority. As a matter of fact, the commitments, responsible in the main for the rise of rates, occurred when there were only six Socialists on the Council. The rise in rates was due to two causes: the first and least important cause was neglect in the past to undertake the necessary duties of a public body; the second and most important cause was the poverty of the town. The value of the house property was small, and the calls on it for public services, for the Poor Law, and in particular for education, were inordinately large. Nothing expresses this truth with more telling force than does a statement of the borough accountant. He informed the Council that it would be cheaper for the town to buy up the 900 acres of vacant land and turn it into playgrounds than allow it to be built upon. Every new cottage was a dead loss to the community. We reach here the heart of the problem: West Ham is a city of the poor, cast out from the rich metropolis and left, with its burden of slums and casual labour, forlorn and destitute, to work out its own inexorable fate. The present volume does not solve the problem; it indicates, however, the nature and the magnitude of the difficulties.

R. A. BRAY

The Children. By Professor Darroch. Pp. 133. (London: Jack.) 1s.

THIS volume belongs to the "Social Problems Series." The object of the series is to throw light on questions of immediate interest by discussing them in a clear and popular manner. The subject of education has been entrusted to Professor Darroch, of Edinburgh University. It is, perhaps, a little open to doubt whether the author has quite grasped the amazing ignorance of

the man-in-the-street concerning all affairs connected with schools and school management. Some of the earlier chapters, while useful and suggestive to the teacher, are of rather too technical a character for the ordinary reader. The Professor does in general say the right things, but he says them in a way not well calculated to rivet attention. The ratepayer who grasps the importance of drains and trams and parks wants to be told, and told in the most elementary manner, just where the schools and real life come into contact.

Professor Darroch does indeed in the introduction clearly define the problems education is called on to solve. He tells us that to mitigate the evils of a modern civilisation three things at least are necessary. We must stay the drift of children into the ranks of unskilled labour; "we must endeavour to secure the better technical training of the youth during their years of apprenticeship; and we must strive to increase the mobility of labour." But in the chapters that follow, which explain the process and end of education, he will probably puzzle the lay reader. He tells us that "in education we have not to do with the development of many powers or faculties, but with the development or the evolution of the one power or faculty of reason, and the process of development in its general nature is always the same in kind, viz., the process of systematically building up knowledge which shall function in the future determination of conduct." Apart from the rather abstract fashion of stating the question, it is very doubtful whether the assertion is correct. If it is true, we must confess that our schools are a far more disastrous failure than even their severest critics have ventured to say. For reason and knowledge play but a small part in the careers of the majority of citizens. If conduct is nine-tenths of life, then nine-tenths of that conduct is not determined by any conscious process of reasoning. Habit and a kind of clumsy intuition are the more usual guides. We act in some particular manner because we have been in the habit of so acting. Or we make our choice because the particular sort of choice seems to us just that sort of choice we ought to make. This may be due to the result of school training, and this most likely is the case; but this school training is not to the front; it is lurking somewhere in the depths of our sub-conscious self. Now of habit or of this sub-conscious self Professor Darroch tells us nothing; and it is impossible to define the process of education without taking them into account.

Following these chapters, which might wisely have been omitted, come others which deal with practical questions in a

practical manner. "The Relation of the State to Education," "Medical Inspection," "The Feeding of School-Children," are all problems which are much to the front at the present moment. The author treats them in a lucid manner, and shows that he is familiar with the many difficulties concerned. The chapters on the various types of school and their aims will be useful to the teacher. Technical education is treated in a fairly complete manner; but one could have wished that he had not spoken with favour of compulsory evening schools. It is true that these have been tried in Germany; but it is also true that there are many persons who doubt the wisdom of the movement. When a child has done a long day's work in the factory he is hardly in a fit state to attend classes after he has returned home. Those familiar with conditions in our large towns know well the strain attendance at evening school puts on the children, and would view with dismay the introduction of the element of compulsion. If we want, as we ought to want, to have some control over the children as they leave our primary schools, we must combine attendance at continuation classes with a rigid limitation of the hours of child-labour. The best course would be to institute a new half-time system, extending from the ages of fourteen to eighteen, and to insist that the child should spend half the day in some place of education.

R. A. BRAY

The Rate of Interest. By Irving Fisher, Ph.D. (New York; The Macmillan Company, 1907.)

EVERYTHING that Dr. Irving Fisher writes is distinctive. His work has a quality which—alas!—is very rare: that of extreme accuracy of expression and exposition. No attempt is made to slur over a difficulty; no pains are spared to make a point clear. Critics complain—and with some justice—that to treat a small fraction of a large subject with great minuteness does not lead to very important results. It cannot be denied that in his anxiety to prevent the reader from missing the point Dr. Irving Fisher sometimes becomes tedious; but when one reflects on the extreme ingenuity which readers have shown in misinterpreting economists, this is a good fault.

Stated in the shortest and crudest way, Dr. Irving Fisher holds the *agio* theory of interest in the form that the preferences of individuals for present over future income depend upon the probable size and nature of this future income. He points out with great clearness that the rate of interest cannot be deduced from the ratio of income from capital to the value of that capital, because the rate of interest is implicitly assumed in ascertaining

the value of the capital. For the facts are:—(1) Capital or capital wealth is a means for obtaining income services; a house (capital) provides shelter (income service). (2) These income services are valued under modern conditions in terms of money—the shelter given by a house is worth £50 per annum. (3) The capital value of the house is the present value of an income of £50 per annum so long as the house is expected to last. To determine this present or discounted value implies a knowledge of the rate of interest; thus if interest is 4 per cent., the value of the house (assuming that it lasts a very long time) is £2,500; if the rate of interest is 5 per cent. the capital value will be £2,000. The rate of interest then is not determined by the ratio of income value to capital value. Beyond this there is no need to refer further to the criticisms made upon various theories of interest, with the exception of a criticism contained in Chapter IV. upon Böhm Bawerk's theory of technical superiority of present over future goods. It is doubtful how far this theory has been held by economists; but the refutation of this in a very short appendix (p. 354) is very forcible.

The *agio* theory, in its crudest form, is based upon the view that we prefer a thing in the present to the same thing in the future; and that interest is due to this and is, in fact, as the lawyers have put it, compensation for deferred payment. It is not difficult to see that in this very crude form the theory is not always true. A housewife preserving eggs in the summer against the coming winter does not prefer a fresh egg in the present to the same egg in the future, for the reason that in her judgment eggs will be more plentiful in the winter. It is not true in this case either that "future goods are less clearly perceived," or that "there is a relative scarcity of present goods compared with future goods." How far cases analogous to that stated above are common or rare is not easy to determine; if they are common, the basis of Böhm Bawerk's theory is not very stable. Most cases of saving as a provision for old age or for a family after death are analogous to the case of the eggs. The motive for saving is the apprehended relative scarcity of future income over present income; saving is very common; there would be—there often is—saving without a rate of interest.

The above criticisms are not made because Dr. Irving Fisher has not seen and stated these points, but because in Chapter IV. he treats Böhm Bawerk's theory with great respect; it would be unjust to consider our author as a mere disciple of the great Austrian economist.

Before coming to the theory of interest expounded in Chapters VI., VII., and VIII. of this book, the question of the effect of monetary appreciation or depreciation on the rate of interest may be briefly mentioned. The fact is obvious—so obvious that any student sees the point at once—so obvious that even the business man required or gave a different rate according as the loan contracts were made on a gold or silver basis—and yet the older economists hardly noticed it and never emphasised it.¹ Dr. Irving Fisher performed a great service when ten years ago he brought this fact into the prominence which it deserves. In this book, in an appendix to Chapter V., the theory of the relation between appreciation and interest is clearly explained.

Our author's theory of interest proceeds by a method of approximation. Assuming first that each man's income stream is initially certain and fixed, he argues that the rate of interest would be determined by four conditions (p. 132) :—“(1) The rate of time preference of each individual for present income, as compared with remoter income, depends upon the character of his income stream, as finally modified and determined by the very act of borrowing or lending, buying or selling. (2) Through the variations in the income stream, produced by loans or sales, the rates of preference for all individuals in the market are brought into equality with each other and with the market rate of interest. . . . (3) The market rate of interest will be such as will just clear the market, namely, will make the loans and borrowings cancel each other for each period of time. (4) All loans are repaid with interest; that is, the present value of the payments, reckoned at the time of contract, equals the present value of the repayments.”

In an appendix the author shows that these conditions are sufficient to determine the unknown elements, including the rate of interest. Further approximations are then made by assuming income to be flexible and uncertain. If this theory is correct, if ultimately it is the preference which different individuals have for future over present income, and if the preferences are psychological (in the sense that they might be quite different, although the actual physical facts of production remain the same), then we see that all theories based upon “productivity” or “cost” cannot be satisfactory. In fact, the demand for present as against future income, or *vice versa*, is a psychological fact, just as all demand is. How far is this result important, what effect

¹ It is, of course, clearly stated in Marshall's *Principles of Economics*. See the note at end of Book VI., Chapter VI., which now in the 5th edition is in the text, pp. 593 *et seq.*

does it have upon economic theory generally, and the theory of distribution in particular? Our author's next book should be upon this point. He just touches on it briefly in Chapter XII. ; the theory of distribution is the most difficult and least 'satisfactory part of modern economics ; it is not final in any respect. But however true it may be logically (taking our author's definition) to state (as he does, p. 229) that "interest is not a part but the whole of income. It includes what is called rent and profits, and even wages," nothing will be satisfactory which does not determine how much out of the national income in a year goes to the wage-earners as such, how much goes to owners of land as such, how much goes to owners of capital as such. It may be that the true problem of distribution is "that of determining the amounts of capital and income possessed by different individuals in society"; but we want to know how far their income is due to having land or capital (both of which might to a large extent be owned by the State), how far to their own efforts as human beings. The landlord and the labourer are not necessarily mutually exclusive ; but many labourers have no interest in land ; many landlords have never done any tedious work.

The statistician will value "The Rate of Interest" for the figures of average rates of interest and index numbers of prices in various countries over a long series of years, although it is a defect that Index numbers for India should be taken from a Japanese source, when in addition to the Index numbers given in the *Review of the Trade of India*, there is Mr. J. A. Robertson's report on "Variations in Indian Price Levels since 1863 expressed in Index Numbers."

The economist will have only one complaint to make, namely, that matters of importance are relegated to appendices. Surely most economists have a good general education, and could easily follow the mathematics, which is never of an advanced kind, which is in some of the appendices. In fact, the appendix to Chapter III. contains the essential part of the argument, namely, that the conditions stated are sufficient to determine the unknown. This should certainly form part of the text, as it is the kernel of the book.

C. P. SANGER

Anglo-Chinese Commerce and Diplomacy (Mainly in the Nineteenth Century). By A. J. Sargent, M.A. (Oxford : Clarendon Press.)

It is explained in the preface that this is "an attempt to view our relations with China solely in their bearing on the

interests of commerce, while the social and religious life of the Chinese can safely be left in the hands of the lifelong resident or the casual tourist"; it is added that the work received its earliest impulse from a few lectures delivered some years ago in Manchester. There are over 300 pages of good clear print, and there is—what is often wanting in works of this sort—a passable index, in which, however, the cross-references might with advantage be more numerous; for instance, there are several rather startling references to the duty of British Consuls in aiding the Chinese under the Treaty of Nanking to protect their revenue, and to the omission of this clause from the Treaty of Tientsin: the impression left upon most readers by these remarks will be that these duties laid upon Consuls to protect the revenue placed British merchants at a serious disadvantage compared with merchants of other countries whose Consuls were not so bound. If this point is a genuine one, it never seems to have occurred to anyone before. Cross-references to pages 85 and 165 (and perhaps other places) should therefore be made in the index, as well as specific reference to page 148: and perhaps the whole of Article II. of the Nanking Treaty should have been quoted, so that it might be clearly seen, or surmised, what these Consular duties were, and how far they really did place British trade at a disadvantage.

While it is presumably to be welcomed as a new step when one of the older Universities takes to publishing a book on purely commercial matters—not by any means so purely commercial, by the way—and therefore a sign of progress and "waking up," it may be questioned whether Mr. A. J. Sargent's summary, excellent though it be for the student, really supplies a crying want to the mercantile body specially interested in the Far East. So far as the politico-commercial history of the pre-factory days, the factory days, the "Opium War," the Nanking and Tientsin Treaties, and the unratified Agreement of 1869 are concerned, there is nothing discernible that has not been related over and over again by Williams, Michie, and a score of other writers, more or less accurate and careful, upon the history of Chinese diplomacy and commerce. When Mr. Sargent descends into specific details about the early hopes of woollens; the sudden appearance of cottons upon the scene; the balance of silver, first against China, and then against the British merchant;—all this is apt to read a little heavily; and even to merchants and bankers specially interested must sound a little out of date and *passé* in interest, granted the supposition that they required any educating. Still, the account is one of the most connected and accurate that has ever been published, and

it is of particular value for purposes of reference, at any rate. There is one point (pp. 5 and 10) where a slip seems to occur, owing to the author not having personally visited the ground. Chusan, Ningpo, and "Limpo" are spoken of as three different places, whereas Ningpo, Niangpo, Lingpo, Liampo, and Limpo are surely all of them one and the same place, simply pronounced differently according to dialect? There are two facts touching opium which have not hitherto been made so clear as Mr. Sargent makes them; one is that after the Nanking Treaty the British authorities might have done more to discourage a continuance of the trade had they not discerned that the Americans were at that time only too ready to take it up if abandoned by the British traders (p. 88); and the other is that Lord Palmerston, whilst admitting that we had no *right* to continue the unhappy trade, distinctly instructed Captain Elliott to *try* to "arrange" for it. This is rather a nasty jar to our complacent rectitude.

There is one little matter of doubtful literary taste that may be mentioned for emendation in a second edition. The author is rather too given to using, in the text as well as in the reference notes, bare names without any title or mark of courtesy; we are told rather too often what Hart did, or how Stanley instructed Bruce, who wrote to Kung: what Derby thought of it, and so on. It is, perhaps, a small thing to find fault with, but in a Clarendon Press publication it sounds rather too free and easy, more especially in the case of Prince Kung, or the Prince of Kung, who can never in any circumstances be spoken of as "Kung," any more than we can decently say "Wales" was of opinion, or "Edinburgh" instructed his captains. To write Lord Stanley and Sir R. Alcock throughout involves no great expenditure of mechanical labour, and even amongst merchants in China it is exceptional to talk about "Wade" or "Hart" except under well-understood limitations. It scarcely sounds "nice" in a serious book.

Most general readers will turn with satisfaction from what the Chinese call the "stale grain and sodden sesame" of olden times to the more exciting period subsequent to the Japan-China War; the Syndicate-Concession period of political aggravation; the "Boxer" revolt, and the descent of the European vultures upon the prone and struggling carcase; the Sphere of Influence mania; the Russo-Japanese conflict; and the sudden and violent reforms of the past five years. The commercial results have been as intricate and as bewildering as the political consequences; and what with the still problematical Mackay treaty, the alternate inflow and outflow of gold, the unexpected expansion of the Man-

chester cotton-goods trade, the incredible energy thrown into the opium abolition movement, the boycotting of American goods, the rights recovery rage, the startling development and influence of the Press, and the complications caused by huge indemnities and the factory competition in China, it would be a wise man who could say exactly where we are—how Scotland now stands—and what is to be the end of it all. This part of Mr. Sargent's book, interesting and suggestive as it is, lends itself just as little as the lumbering old Factory and Opium War portion to the purposes of the critic or the task of extended reviewing. What is to be said? So far as any living man can construct an intelligible *Leitmotiv* out of such an incoherent Babel of cries and sounds, Mr. Sargent has done it for us; and, at any rate, he has provided a better summary of the development of British—and not only British, but European, Japanese, and American—commerce with China than can yet probably be found elsewhere; at all events, in the same space, and with some show of co-ordination. However, learned theories and expositions really count for very little in the growth of trade, just as pulpit exhortations and denunciations have little or no effect upon the mad whirl of modern society. The Manchester cotton man, the Bradford woollen and "Italians" man, the Bombay spinner, the German and Japanese manufacturers of cheap wares, the Anglo-Saxon tea-drinker who persistently prefers tannin to fragrant Chinese leaf, the silk manipulators of France and Italy who are heading off the conservative factors of Hangchow, Nanking, and Soochow—all these know, or think they know, their own business best, and each fights for all he is worth to suit his own particular hand and pocket; ignorant usually, oblivious always, of any "moral and intellectual damage" that may be discerned ahead by the prophets and the wise men: he gets his satisfaction, as often as not, after twenty years of "grind" in a snug estate, with shooting attached, somewhere in England or Scotland. In fact, Mr. Sargent, after pounding away at awkward facts and questionable explanations in gallant style, seems to see this for himself, towards the end of his book, when he says: "It is difficult to disentangle the normal economic movement in China during the last few years from the effects of war, rebellion, and indemnities; while the changes affected by the treaties are so recent that their real significance to a slow-moving country can scarcely be estimated." Yet there is still guilt upon the gingerbread: "In spite of internal troubles, China has shown a steadily growing power of absorption; the silver value of piece-goods has almost doubled, while that of yarns has more than trebled in the

decade. . . . Japan supplies about a quarter of the yarn imported."

Mr. Sargent does not speak very respectfully of British Consular Reports. "Many are rubbish"; yet the wonderful epitomes published by the Foreign Office in the shape of Sir Alexander Hosie's reports upon the China trade of 1905 and 1906 are masterpieces in their way, and any British merchant who should study them carefully would arise from his task in much better fighting trim than after a perusal of Mr. Sargent's more academical work, which, excellent though it is, leaves upon the "old China hand" the impression of a carefully "got-up" thing rather than the natural expression of a "twenty years in the country and know the language man." Q.

Municipal Ownership: Four Lectures delivered at Harvard University. By LEONARD DARWIN. Pp. xv+149. (London: John Murray, 1907.)

It was a fitting tribute to the excellence of his larger work on "Municipal Trade" that Major Darwin should have been invited to deliver a course of lectures on the subject at Harvard University; and whether we do or do not agree with all his arguments, it will readily be granted that he has compressed an unusual amount of material into four lectures. The present volume is marked by the fairness, lucidity, and close reasoning which distinguished the earlier one, while the vulgar misconceptions so prevalent in recent writings find no place here, or are mentioned only to be condemned. Partly because of the closeness of the reasoning, and partly because of his evident desire to give due weight to conflicting arguments, it may not prove as popular as many inferior books on both sides of the controversy, but no other author has within the same compass produced so judicious and temperate a criticism of the movement.

The two main questions raised in these lectures are: (i.) What is the best method of controlling municipal monopolies operated by private companies? (ii.) What are the urban services in which it is best that the work should be performed by employees of the civic authorities? In regard to the former it is insisted that we are not left with the alternative of unregulated private trading and municipal trading, for even if the latter were preferable to the former, private enterprise under wise regulation may often be better than either. Most of the book is devoted to the second question, considering chiefly the financial issues,

the possibility of direct employment increasing or diminishing corruption, the higher wages of workmen, and the relation to Socialism. Each of these sections is suggestively treated, and the conclusion to which they lead is that direct employment is undesirable in the constructive stage save in a few cases where the work of inspection is exceptionally costly and difficult, while in the productive stage it is beneficial only where three conditions are fulfilled, namely, "where there is a strong tendency for the industry to become a monopoly; where it is of great importance to the community—or, in other words, where a loss might reasonably be incurred by the municipality managing it; and where, in the near future, changes in the factors of supply are not improbable against which adequate provisions cannot be inserted in franchises or leases." For these and other reasons he is not opposed to the municipal management of waterworks, baths, wash-houses, cemeteries, slaughter-houses, markets, and perhaps harbours; but as regards gasworks, electric light, and tramways, it is on the whole preferable that they should be leased for short periods to private companies.

Every opponent of municipal trading attempts to show that the policy involves a burden on the rates, and it is of particular interest to learn the attitude of so excellent a writer as Major Darwin to this matter. Unfortunately the sections which he devotes to the financial results appear to us to be less satisfactory than the rest of the volume. On *a priori* grounds the author concludes that a loss "to be made good by additional taxation" may be expected, and by examination of the statistics for England and Wales he attempts to show that they do not refute this view, but even lend some slight support to it. The substance of the argument is this: The returns of reproductive undertakings in 1902 showed that on a capital of £120,000,000, less than £400,000 a year goes in relief of rates after meeting interest and sinking funds; but in estimating the gain or loss, as distinct from the profit or deficit, account must be taken of the rents which might have been obtained for the concessions from private companies. Now tramways owned and worked by municipalities yielded an average net profit of only $\frac{1}{10}$ ths per cent. on the total capital, while those owned but not worked by municipalities yielded about 2 per cent. to the local authority. Hence if a city can only make under 1 per cent. by direct management and 2 per cent. by leasing, "may we not fairly say it is losing over 1 per cent. by its municipal venture?" The fact that tramways yield a profit is therefore consistent with the belief that rates would have been

lower if they had not been worked by municipalities. Admitting that it is impossible to estimate the hypothetical rents obtainable for other enterprises, he proceeds, nevertheless, to generalise this result: "English statistics, therefore, do not disprove, and may, it appears to me, be quoted as giving some support to the view which I hold, namely, that English cities have increased the immediate burden of taxation by their municipal ventures by over 1 per cent. on the capital sunk thereon." As the sinking funds amount to little over 1 per cent. on the capital, "it follows that this sinking fund is in reality all drawn from the pockets of the people by additional taxation," and any gains which may accrue in future when borrowed money has been largely repaid will be a mere return of interest on the sums now being sacrificed.

We doubt whether any single step in this argument would be allowed to pass unquestioned by a student familiar with the statistics. It would first be remarked that the net profit on the former class of tramways is shown by the returns to be nearer 1 per cent. than $\frac{1}{10}$ ths, while that on the latter class is not 2, but only very slightly over $1\frac{1}{2}$; and that this makes about half a million sterling a year difference when applied to the aggregate capital in the last stage of the argument. Then it would be pointed out that the working of a system involves a larger capital than the mere construction and leasing of a permanent way. In the returns the average capital of the former class is over four times as great as the latter; and though this may be in some measure due to difference in size of the towns, the fact that a town working a tramway sets aside on the average nearly thirty times as much for depreciation as a town leasing it to a company suggests that there is a great difference in the nature of the capital in the two cases. If the investment of a larger sum gives a lower percentage net profit than the investment of a smaller sum, can the conclusion be drawn that the latter yields a gain to the town while the former does not? A knowledge of the facts might easily prove that the former brought the greater gain. Again, the generalisation from the tramway figures to the whole of the undertakings is a highly questionable step, for if we kept to the tramway illustration the sinking fund would be seen to amount to considerably over 1 per cent.—over $1\frac{1}{2}$, in fact; and, still more important, we could not expect anything like the net profit which the author supposes on the aggregate capital, for not only does it include, as Major Darwin admits, such things as baths and wash-houses, which are often undertaken with a certainty of loss, but nearly half the capital is invested in

waterworks, which are not generally viewed as proper subjects for yielding high net profits, and which the author himself is willing to allow municipalities to undertake. The statistical argument would have been different if it had been confined to those municipal industries which he is disposed to condemn; but when the issue is narrowed to tramways, electrical and gas works, and one or two minor enterprises, it appears quite irrelevant to base conclusions upon the average financial results of undertakings which include waterworks and a dozen other enterprises. But Major Darwin's candour makes the work of a reviewer difficult, and we almost feel it necessary to apologise for offering criticism when he really removes all value from his statistical argument by confessing, later in the book, that a wide margin of doubt exists as to gains or losses because of the conjectural amount of the possible rents and the variations of price and quality. We can only say that his method has led him to estimate the rents too unfavourably to municipal management.

STANLEY H. TURNER

Land Values and Taxation. By EDWIN ADAM. *Social Problems Series.* Pp. 196. (London: T. C. and E. C. Jack, 1907.)

MR. ADAM is a member of the legal profession in Edinburgh, but intellectually he belongs to the eighteenth century, when men deduced their economic rules from the Law of Nature and the intentions of the Creator. It is refreshing to-day to find a writer deliberately setting before himself the task of inquiring "whether there is a natural and just mode of levying taxation," and declaring that "if natural law can afford no light as to the provision of that fund, we should be driven to the conclusion that social progress, civilisation as we know it, had no place in Nature's scheme for the development of mankind; that civilisation was, in fact, an excrescence, a disease, contrary to the scheme of creation." It is an axiom with Mr. Adam that if government comes within Nature's plan, Nature must have provided a law of revenue, and only wilful blindness prevents men from seeing it. Yet to our departure from this law economic evils are due.

The natural canon of taxation is that each citizen shall pay in proportion to the benefit he receives from the State, but it is unnatural to deprive a labourer of the wealth he produces. A glance at each of the existing national and local taxes proves that not one adequately fulfils the requirements of Nature, though there are occasional glimpses of what Henry George called "the

glories of the coming day." Customs and excise "violate its clearest dictates"; these and most of the other taxes have no moral sanction, but rob a man of what he has made by his own labour, thus far enslaving him. Short work is made of the distinction between onerous and beneficial rates, for the expenditure on poor-relief and education, like that on street-lighting, invariably raises rents. One sample of this reasoning, neither better nor worse than others, must suffice: "As education becomes more general, the more do the wages of the educated workman fall in value; the more of the product of his labour becomes absorbed in rent." Hence the only man who benefits economically by good government is the landowner, and the benefits which others enjoy are summarily dismissed as "moral." Land value, which includes the value of the right to use land for selling liquors, for tramways, and the like, is clearly the tribute which natural law levies upon every occupant; the private owner is a mere tax-gatherer; and if the community would only resume its own the labourer would thenceforth obtain a wage measured by his labour. Suggestions that the land value may not suffice are met with the confident assertion that it "always is sufficient to meet the cost of good government"; while objections on the score of confiscation are answered by drawing a parallel between the landowner and the slave-owner. Incidentally the author tells us that Mr. Cannan holds the view that a tax of 20s. in the £ will cause economic rent to cease, that an abatement of £160 is allowed on all incomes under £700, and that grants-in-aid come out of the indirect taxes. Curiously enough, he does not propose to abolish postal charges in favour of his natural tax, though it might be thought that the services of the Post Office or of a municipal tramway have quite as much to do with land value as most of the other purposes for which taxes are to be so levied. But he is willing to make the change in the system of taxation gradually, and we can only hope that in the meantime some adaptation of Voltaire's *L'Homme à quarante écus* may convince him that Natural Law is only another name for Mr. Adam's fallible conception of what ought to be the law.

STANLEY H. TURNER

Wage Earners' Budgets: A Study of Standards and Cost of Living in New York City. By Louise Bolard More; with a preface by Franklin H. Giddings. (New York: Henry Holt and Co.; London: G. Bell and Sons, 1907.)

STUDIES of the budgets of working men's families may be broadly divided into two classes: those in which an enormous

mass of information is collected from large numbers of families of which the collector knows otherwise, almost necessarily, little or nothing, and those in which an intensive study is made of a limited number of families with whom observers are more or less constantly in touch over a considerable period. Mrs. More's studies belong to the second class. Data were obtained concerning 200 families only, during the two years covered by the investigation, but frequent visits were made to each family during the time it was under observation by Mrs. More and the residents at the "Greenwich House" Settlement. The cordial relations between the Settlement workers and the people of the neighbourhood naturally facilitated detailed inquiries.

Greenwich is an old district exhibiting characteristic extremes of housing conditions. "It is the part of old New York that has retained its village features the longest. It is the last to lose its old-fashioned houses and to become a tenement district." Old houses are being rapidly torn down to make way for large tenement buildings, or altered to accommodate three or four families. The population is cosmopolitan: of the heads of families observed 105 were native and 95 foreign born, the latter including 35 Irish, 16 English and Scotch, 17 Germans, and 15 Italians (p. 108). "The racial feeling is often very strong. The Irish hate the Italians ('Dagos') and the negroes ('niggers'), and the North Italians despise the Sicilians" (p. 11). The occupations are mostly of a low grade, half the heads of families engaged being drawn from the ranks of unskilled labour, 55 (per 100) in miscellaneous occupations such as book-keeping or other clerical work, caretaking, &c., or without occupation (*c.g.*, widows maintained by their children), and 45 only engaged in skilled work. But these occupations are not evenly distributed amongst the different nationalities, so far as one can safely base conclusions on the small numbers observed. Of the native born 49 per cent. are unskilled and 25 per cent. skilled labourers, 26 per cent. clerks and others; of the Irish 66 per cent. unskilled, 9 per cent. skilled, 25 per cent. clerks, &c.; of English and Germans 41 per cent. unskilled, 16 per cent. skilled, 43 per cent. clerks, &c.

For all the families together the average annual family income from all sources, including charity and gifts, was \$851; or \$817 for the native and \$890 for the families of the foreign born. The distribution of income differed only very little for the foreign born and the native; to the nearest 1 per cent., the native born expended 43 per cent. on food, the foreign 44 per cent.; the native 20 per cent. on rent, the foreign 19 per cent.; for clothing the

percentages are 11 and 10; for light, 5 in both cases; for insurance, 4; and sundries, 17 and 18. On the whole the similarity is remarkable, though some slight allowance must be made for the fact that the native-born family—or, rather, household—averaged 5·3 against 6·0 for the foreign. Detailed budgets are given for only a very limited number of families as regards food and clothing, ten selected food budgets being printed as typical. This makes comparisons with other countries difficult and dangerous, but, on the whole, the claim seems justified that the “diet of the American working-man’s family is abundant and varied”; the allowance of both meat and milk is generous. It would be of great value if further investigations could be made from Greenwich House with a view to determine for the neighbourhood a fair average working-man’s food budget, including quantities as well as expenditure, and if possible separate average budgets for the different nationalities.

The whole study is of great interest, particularly from the comparisons it renders possible between different nationalities living in the same district, and competing with each other. On the whole, there seems a nearer approach to equality than one would have expected.

G. U. YULE

Co-operative Industry. By ERNEST AVES. (London: Methuen and Co. 1907. Pp. 303. Price 5s. net.)

As explained in the preface, this work was finished by January, 1905, although the figures have been brought up to date by Mr. J. J. Dent, of the Board of Trade. It is divided into three parts: I. The store. II. The workshop. III. The farm. In Part II. the important distinction between production by the individual stores and their wholesale, on the one hand, and by independent productive associations, the “co-partnership societies,” on the other hand, is clearly drawn. Part I. is undoubtedly the strongest. The author here has proceeded a considerable way in the analysis of the “social” aspect of the movement. Chapter VIII., on “poor stores,” is exceptionally good. However, the analysis of the economic aspect of the store, *i.e.*, the economies derivable from the organisation of distribution and production from the standpoint of the consumer, is not carried very deep. The third aspect of the store movement, namely, the conception of the “industrial commonwealth of co-operation,” is also but slightly developed. Thus, when the author writes: “The wholesales are the counterpart

en gros of the vast majority of the rank and file of the movement at large" (p. 76), he does not, I think, give due weight to the originality of the centralised policy developed by the wholesalers' leaders. It is this aspect which looms largest in the eyes of continental co-operators, and which is bringing consumers' co-operation into line with the structure of municipal enterprise.

In Part II. the difficulties of "profit-sharing," and of the contrasting ideals of the stores and the independent productive associations, are stated, rather than answered.

Part III. was completed before the Small Holdings and Allotment Bill of 1906 was passed. This is unfortunate, since the promotion of rural co-operation, in pursuance of this Bill, is the key to the co-operative activity which is now being witnessed in Great Britain, especially in the dairying and market produce districts.*

For serious study of the movement this book cannot hope to replace the volume on "Industrial Co-operation," edited by Miss Catherine Webb in 1904. Agricultural co-operation, also, I think, cannot be said to be adequately treated when there is no careful comparison with the continental pioneers, in particular Denmark and Germany. However, the book is certainly welcome, as it is "fresh from the fire," and gives valuable insight into the "social" aspect of co-operation, while suggesting, if not answering, other important problems.

C. R. FAY

Socialism. By J. RAMSAY MACDONALD, M.P. Second Impression. Pp. vi + 127. (London: Jack, 1907.)

IN this volume of the Social Problems Series, Mr. Ramsay Macdonald places the reader at the standpoint of the newer Socialism, which bases its position on biology and economics, and claims to progress by "scientific experimental methods." We find little that the author has not made familiar, at greater length, in his *Socialism and Society*, and elsewhere; but the present book is written with all his attractiveness of style and conviction, and removes the last excuse for many of the misconceptions of Socialism, to which Socialist and anti-Socialist writers have contributed in almost equal degree.

After a statement of the evils of the present system and the attitude towards them of typical schools of social reformers, we have a sketch of the development of the movement, with the contributions of the leaders of the last two centuries: Proudhon, "a

kind of French Cobbett"; Louis Blanc, the father of modern Socialist methods "who has never entered into his inheritance"; Owen and the English school; up to Marx, who receives significantly incomplete treatment. Then follows the more immediately interesting portion of the book, with the "industrial argument for Socialism," based, of course, on a criticism of present conditions. "Capitalism has been created to develop the machinery of production, and it has done its work very well"; but it "will not be judged by this generation according to what it has done as an agent in production, but according to what it is doing as an agent in distribution," and it "has never given the least hope that it was creating an organisation which would equitably distribute wealth." Despite the fluctuations in the value of capital, the aggregate of rents and profits rises in every prosperous country. So "may" wages; but substantial improvements are impossible owing to the mechanism which allows the substance of unearned increment to pass into private pockets. Even education (technical, &c.) will not bridge the ever-widening gap between the unequal masses of skilled and unskilled labour. The present system endangers civic life by the growth of trusts and syndicates; subordinates human interests to capitalist profits; creates a machinery of production which does not secure equitable distribution; gives rise to ethical demands which it cannot satisfy, and hence compasses its own destruction.

Mr. Macdonald disposes briefly of some of the stock "objections" to Socialism, though he omits other practical problems which the Socialist is often called on to solve, such as that of the efficiency of State organisation of industry. He defends Socialism from the charge of antagonism to the family, to religion, and to the property of the future based on "creative service"; he gives the Socialist theory of taxation, that values obtained through the "existence and activity" of the State should be returned to it (though he does not give the much-needed clue to the recognition of these); and he does a service for which the Socialist thinker may be grateful, in clearing away the idea that the extravagances of boards of guardians, &c., are a manifestation of "Socialism." He is so chary of the hysterics of a certain type of Socialist writer, and so anxious to avoid prophecies of the future, that he omits points about which many would like explanation. Rather more detail on the process of the journey by the present "transition stage" towards the Socialist goal would probably have made the latter portion of the book more completely satisfying both to his supporters and antagonists.

C. VIOLET BUTLER

Essai de solution du problème Social par les Magasins généraux.

L. SCANSA-LANZA. Pp xi+92. (Paris: Félix Alcan.)

M. SCANSA-LANZA, in this little volume, propounds an ingenious scheme, elaborated in much detail, for the regeneration of society through the establishment of "national" warehouses. Financed partly by the Banque de France, partly by terminable loans, a series of dépôts is to be established, under State control, in all the principal towns of France. Here the manufacturer or importer may deposit his goods, receive advances on their value, and either sell them at his leisure or cause them to be sold by the officials of the warehouse. From the stock accumulated here the purchaser may make his selection, with the advantages of a large choice, and official guarantee of the quality and fidelity to sample of his purchases. The warehouse officials are to be responsible for the transport and delivery of goods, which the wide scale of their operations will enable them to do rapidly and cheaply. Thus supply and demand will be co-ordinated, and the chief necessities of modern commerce—rapidity, security, and economy in the mechanism of exchange—will be satisfied.

Close to the warehouse, which will gradually become the centre of the whole commerce of the surrounding district, will stand the bank or counting-house. Having deposited his goods in the warehouse, the manufacturer will take his receipt for them to the counting-house (comptoir), where he may, if he choose, have a bill to their value discounted. His goods may be sold later by himself, at his convenience, or by the comptroller for his benefit. These counting-houses will have agents in all the chief foreign towns who will cash bills maturing abroad, returning them to their dépôt of origin. The bills, under semi-official guarantee, will circulate freely abroad, and it will be easy to secure their negotiability and to pursue debtors (some explanation of this point would have been interesting). Gradually the economy of large-scale transactions and the prestige of official sanction will crush the competition of private firms, who will entrust their business to the officials of the "magasins généraux"; and the socialisation of the means of exchange will be complete.

But this is only the first stage of social reform. From the "socialisation" of exchange we are taken back to problems of production—a process of refreshing originality. With the funds accumulated from its control of commerce (the author hardly accounts sufficiently for the co-existence of great profits and of economy in exchange) the central authority of the national

warehouses, after paying off capital, is to follow Louis Blanc's programme, and, as "banker of the poor," it will grant loans for the foundation of co-operative societies of every type, until by force of successful competition these drive out private firms; while the absence of interest on the loans from this source will gradually deprive private capital of its reward and *raison d'être*. The State will then acquire the means of transport, and the co-operative commonwealth will thus be peacefully realised, *via* the linked warehouse and counting-house.

Then mankind will at last have scope for improvement. "*L'homme est ce que le fait son milieu social*," and he will now develop in a State based on co-operative societies, the "mine being granted to the miners" (which would not please a certain type of State Socialist); the proletariat and trade unions will indeed continue, as will private property and social inequality; but these will have lost their dangers, and finally the federated societies of "universal warehouses" will rule the world in peace.

C. VIOLET BUTLER

A History of Commerce. By CLIVE DAY, Assistant Professor of Economic History in Yale University. Pp. xlv + 626. (Longmans, 1907.)

FOR anyone who has had to teach the economic history of countries other than England the great difficulty that has been experienced is the want of text-books for the student. Mr. Day now endeavours to fill this gap as far as commerce is concerned by sketching its history from the earliest times to 1900 A.D. The result is the best text-book in English on the general history of commerce that we have at present. Not the least useful part of it is the account of the trade and trade policies of all the European countries and the United States during the past century.

Of the 575 pages devoted to narrative, 127 are taken up with ancient and mediæval commerce, 140 with modern commerce from 1500 to 1800, and 307 with the commerce of the nineteenth century. The book is, therefore, mainly a history of recent developments in commerce, with a lengthy historical introduction. In this latter part one-third of the space is devoted to the United States. This is perhaps natural in a book which will be used largely by American teachers and students, but it seems a little out of historical perspective to allot 120 pages to the United States and 36 to England, which was certainly the greatest commercial

industrial, and financial power of the world all through the nineteenth century, while the United States only attained to the first rank in the last two decades of that period. If we are regarding the world's commerce, it is England that bulks large in the world's economy of last century; and, indeed, Mr. Day himself acknowledges that at the beginning as well as the end of the nineteenth century England held the leading position. But apparently her history does not need so much elucidation.

The author begins with a few general considerations on commerce, and dwells on the obstacles to its development. He then passes on to say something about the trade of Egypt, Assyria, Persia, Phœnicia, Greece and Rome, but in his preface he hopes that any teacher pressed for time will leave this part out, as it has little bearing on the commerce of to-day. It seems to me that the author underrates the importance of the ancient world in influencing the economic development of the West. It was in connection with Phœnician commerce, that the Western Mediterranean was first colonised, that the sea became a connecting link instead of an insuperable barrier, and that the West and East were brought into contact. It was through commerce following on her conquests that Rome was able to spread the material arts of civilisation; and although much was destroyed, much remained and much was spread later by the Christian emissaries of Rome. The knowledge accumulated through ancient commerce was stored up in the Eastern Empire and the Levant to come again into Europe and furnish the great stimulating influence in Western Europe at the time of the Crusades. The work done through the agency of ancient commerce was the great factor in developing the West out of barbarism both before and after the fall of Rome.

Mr. Day also seems to underestimate the important work of re-establishing commerce by the agency of the Church, part of which was consciously and part unconsciously effected. He merely says, "the dignitaries of the Church, by reason of their higher culture and connection with a universal organisation, created a demand for a few foreign wares." The organised trade carried on by the monasteries, such as St. Wandrille, Prüm, Jumièges, and Fécamp, was far more than this; while the maintenance of a certain amount of peace by the Church through its exhortations, example, and excommunication laid the essential foundation of commerce, viz., order. Mr. Day himself draws attention to the work of the Church in maintaining the roads. The pilgrimages, especially to the East, had the result of giving

a great impetus to commerce, till finally we get the religious movement culminating in the Crusades, the effect of which on the economic development of the West was only surpassed by the great discoveries of the fifteenth and sixteenth centuries. The author jumps from the fall of Rome to the year 1000 A.D., and gives a short account of the conditions then prevailing. He describes the rise of towns and the character of the trade by sea and land during mediæval times. He also gives some maps which should be of great assistance to teachers. The mediæval organisation of commerce, the fairs, banking, and exchange are dealt with as fully as the small space allotted will allow. The author deals sketchily with the rise of the nation as the economic regulating unit, and hardly seems to emphasise sufficiently the enormous importance of this new feature. Then comes an account of the period of exploration and discovery, the rise of the wholesale merchant, the development of commission trade, credit, banking, and the expansion of trade through the agency of chartered companies. The commercial policies of Spain, Portugal, England, Holland, France, Italy, the German States, and Russia are dealt with very satisfactorily, taking into consideration the small space it has been possible to allot them.

The point which Mr. Day insists on is that the success or failure of a nation lay in its capacity or incapacity for organisation as an economic unit.

To the section on recent commerce there are six useful introductory chapters pointing out the main changes which distinguish the commerce of the last century from that of those preceding it. The increase in the importance of coal, the developments in iron and steel smelting, the improvements in transport, the change from sailing vessels to steamers, the decline in freights, the revolution in the relative importance of the wares of commerce, the revolution in business methods wrought by the telegraph, the decline of fairs and the rise of the produce exchange are all touched on as an introduction to the century of rapid communications. Mr. Day deals with English commerce during that period, and some reasons are given for the alleged loss of England's industrial leadership. It will be news to most people in this country to hear that "the average labourer in Germany and the United States is better equipped for modern methods of manufacture than is the Englishman," and a little difficult to see what is meant by "equipped."

It is interesting, too, if scarcely accurate, to hear that "the English manufacturer works short hours and stops for afternoon

tea." The Factory Acts are decisive as to hours, and when they fix meals they do not as yet allow for afternoon tea.

Mr. Day enumerates the causes of the rapid development of English commerce between 1850 and 1900, considering them to be the start England had in manufacturing, her geographical situation, physical resources, and free trade policy. He says nothing of the effect of the railways and the enormous importance to England of possessing the first steamships. Nor does he mention the effect of the gold discoveries on English commerce. Hence his account is inadequate.

German trade under the Zollverein and Empire is described, and the reasons for Germany's industrial advance are discussed in detail. France, Italy, Russia, Austro-Hungary, and the minor European States are usefully dealt with, and, as already indicated, the commercial development of the United States from 1789 is treated in considerable detail.

One has only to look at the bibliography to realise the vast amount of reading that has had to be done to produce this book. Questions and topics for further consideration are suggested at the end of every chapter. If one should venture to criticise the form of a book which has long been needed, one might perhaps say that it is perhaps a little too much in the style of a note-book. The paragraphs are headed in thick type, with a summary of their contents. Some of the headings seem rather superfluous: for instance, "The revolution about 1500: topics to be considered." Surely the text itself ought to make the topics to be considered obvious. Or again, one paragraph is headed "Commercial decline of the Netherlands," the next "Reasons for decline." Such emphasis seems a little unnecessary.

LILIAN KNOWLES

The Economic Policy of Robert Walpole. By Norris A. Brisco. (Columbia University Studies.) (New York: The Columbia University Press, 1907.)

MR. BRISCO's monograph on the financial and economic policy of Walpole will be welcomed by students of eighteenth century finance and politics. The writer perhaps unduly exaggerates when he states that "Walpole's economic policy has been neglected and overlooked," for both in the standard political and economic authorities which deal with the Walpolean period the importance of the great Whig minister's financial aims and achievements is fully recognised. None the less, a thoroughly

competent and modern biography of Walpole's career as a whole, utilising the research work of the last thirty years, is badly wanted. Meanwhile Mr. Brisco's study of one great sphere of his Ministerial activity does for Walpole's finance what Mr. Basil Williams's articles in the *English Historical Review* have done for his foreign policy. Mr. Brisco writes clearly and temperately, and has consulted valuable and first-hand sources of information, particularly in the departments of fiscal policy, trade, and taxation.

Not the least valuable of the chapters is the one devoted to "Reform in Taxation," where Walpole's budgets and financial schemes are examined with reference to current theories and economic principles, and the discussion is carefully illustrated from contemporary debates and pamphlets. The writer's object here is to discover how far Walpole, in his system and reforms, was guided by, or departed from, the best economic theory of the day, how far his critics relied for their arguments on counter theories, and to what extent economic science profited by the political controversy, and its development was assisted by the keen interest shown in the management of our public finance. The conclusions in this chapter are well worked out, and will be followed with interest by every student both of politics and economics. Mr. Brisco, however, does not seem to have made use of the mass of material contained in the *Calendar of Treasury Papers*, which have now been published as far as the year 1745, and therefore completely cover the whole period of Walpole's long ministry; at least, I infer so from the absence of any reference either in the text or the notes to these volumes; and this is regrettable, not merely because they are a vast collection of financial documents of the first order, supplementing and correcting the evidence as to trade, commerce, tariffs, &c., available from other sources, but because they would have suggested the desirability, in any exhaustive examination of Walpole's work as a whole, of a short section on the principles and development of the English system of public finance in the first half of the eighteenth century. Mr. Brisco would also find in the *Calendar of Treasury Papers* much valuable support for his sound and broad argument that in estimating the financial achievements of any prominent statesman it is impossible to separate politics from finance. If it is true that most great political problems are at bottom largely financial, it is equally true that all great financial schemes involve complex political considerations, and, as the fate of the Excise scheme showed unmistakably, the superior financial may be defeated by the weaker political argument. Mr. Brisco

confesses that he started his inquiry distinctly prejudiced against Walpole, but the result of his careful and lucidly expressed analysis of the facts is a series of decidedly favourable conclusions both on the man and his achievements. But he disarms criticism by his moderate language and by anticipating the qualifications that naturally suggest themselves to fellow-students of the period.

It is impossible to do justice in a short review to the material and topics discussed with much wealth of detail in the two hundred pages of the monograph. I must content myself with referring students to Mr. Brisco himself; but the treatment of the Sinking Fund and of the South Sea scheme, indeed, of Fiscal policy as a whole, is admirably clear. It is not an easy task to explain successfully and criticise at the same time a series of complicated financial transactions extending over a period of years. But clearness is Mr. Brisco's strong point. His division of his subject into chapters, each of which treats of a single broad topic; *e.g.*, Fiscal Policy, Reform in Taxation, Reform in the Tariff, Bounties and Colonial Policy, Industrial Policy, Foreign Trade, makes for lucidity and concentration. That it also involves a good deal of repetition is perhaps inevitable. A few questionable statements may finally be noticed. The interpretation of William III.'s foreign policy* (p. 20), a point irrelevant indeed, however, to the main matter in hand, would not commend itself to historical students. To assert (p. 30) that Walpole "is known to the historian as a politician and 'boodler' rather than as a financier" is distinctly surprising, if we remember Lecky, Morley, Ewald, and Coxe's historical studies; nor is the assertion, even if true, very intelligible to English readers. Mr. Brisco's general and sweeping inferences as to the principles, objects and results of the whole Colonial system (pp. 156-165) open up a large field of controversy. His view savours too strongly of the antiquated "Bancroft school" to be acceptable to-day, and in the last twenty years modern American critics, even more emphatically than our own, have taught us a fairer and sounder historical attitude. Mr. Brisco, therefore, in this section may safely be left to the critics of his own house. On p. 178 the statement that in 1739 "more than 1,500,000 people were employed in the woollen manufactures" is passed from Macpherson without criticism. But it is incredible that one-sixth or one-fifth of the whole population can have been so employed, and the other figures given on this page strengthen our scepticism. Similarly on p. 182 Norwich seems to be classed with the creations—Birmingham, Sheffield, and Manchester—of modern economic development. The importance of

Norwich as a centre of population and trade really goes back to the fourteenth and fifteenth centuries. Lastly, did Pitt (p. 214) "later express his regret that he had opposed the (Excise) scheme"? Pitt certainly recanted handsomely with reference to his opposition to the war of 1739 and Walpole's commercial policy towards Spain and the West Indies—a very different affair. But Pitt did not enter the House of Commons until 1735, when the Excise scheme was dead and buried. In 1733 he was simply an insignificant "cornet of horse"; so far as I know no utterance of his on the burning question of the hour in 1733 exists; his patron, Cobham, lost his regiment by his opposition, and had Pitt spoken publicly the young officer would certainly have been punished by the deprivation of his commission, as happened later. Historical students would be glad to have Mr. Brisco's authority for the statement in the text.

C. GRANT ROBERTSON

The Early Federation Movement of Australia. By C. D. Allin. (British Whig Publishing Co., Kingston, Ontario, 1907.)

MR. ALLIN takes up his tale in 1839; he ends about 1863. It is thus a short period with which he deals. But within his chosen limits he traces exhaustively the history of the federal movement. He quotes much from authorities; and his extracts from Australasian papers are especially welcome for the light which they throw upon different phases of public opinion in the several Colonies. He gives a vivid impression of the conflicting cross-currents among which the first schemes of federation were launched; and although he avoids an artificial simplification of his highly complex subject, he suggests some valuable generalisations as to the objects of the early federalists and the reasons of their failure.

The federalists were a small party in this period. It is true that the smallness of their numbers was partly counterbalanced by the eminence of some of their leaders. Mr. Deas Thompson and Mr. Wentworth stood in the first rank of Australian statesmen; Earl Grey, slight as was the enthusiasm which his schemes elicited, extorted admiration by his grasp of the main problems which vexed Colonial ministries and legislatures. Unfortunately, however, the party was lacking in compactness. It included at least three sections, whose differences were bound to become serious as soon as federalism came within the range of practical politics. The noisiest, though probably the smallest, section injured the federal cause both in Great Britain and in Australasia

by proclaiming that they desired federation as a half-way house to secession and republicanism. Another group, equally political but less aggressively nationalist, was inspired by Liberal ideas : its members hoped, in the 'forties, to use federation as a means of obtaining representative government for every part of Australasia ; and after 1850 their interest in the federal idea declined. They had now obtained much of what they desired ; the rest they saw their way to obtain by amending the constitutions of their respective Colonies. The most important and far-seeing group of federalists was that which viewed the subject from an economic point of view. They thought it imperative for the future of the Colonies that intercolonial trade, the railways, and the postal service should be regulated by a central authority. But even within this group there was division. All desired a uniform tariff policy towards the outer world ; but while some also wished for intercolonial free trade, others were only inclined to put such constraint on the fiscal policy of single Colonies as would prevent an intercolonial tariff war.

It was the economists who first gave the movement a definite form, and their influence was paramount in the proposals of Earl Grey. He attached importance to the introduction of representative government ; but he was not inclined to stop there. The danger of a tariff war was constantly before his eyes, and he saw no other possible safeguard than a federal authority. The problem of defence, afterwards more prominent, gave as little anxiety to him as to his Colonial supporters ; in those days the Pacific was not yet a battle-ground for great Powers. Like the United States in the first period of their career, the Australasian Colonists were then free to think exclusively of developing their domestic resources. Their misfortune was that, in this happy situation, provincialism and individualism were free to assert themselves. The feeling of nationality had still to be created in the mass of the electorate. The fears of each Colony for its budget, of each trader for his next year's balance-sheet, could only be met by appeals to economic theories which neither the statesmen nor the commercial classes had assimilated. From time to time the merchants saw what they stood to gain by federation ; but these glimpses of truth were liable to be obscured at any moment by appeals to their immediate interests or their local patriotism.

Federal schemes began to take shape in 1846. Governor Fitzroy has the credit of making the earliest overtures to the home authorities ; but Mr. Allin shows good reason for thinking that Fitzroy, on this occasion, merely acted as the spokesman of Mr.

Deas Thompson, his constitutional adviser. The plan which they proposed was that which Grey ultimately put into effect. But he only adopted it as a counsel of despair, and the event showed that his want of confidence in its efficacy was justified. Fitzroy merely suggested the appointment of a Governor-General who, partly by giving good advice and partly by a firm use of the veto, should bring the Colonies to a working agreement on the tariff question. Grey disliked the remedy. He preferred to rely on a federal congress or assembly which should have the power to legislate on Customs duties and some other matters. This was what his Select Committee proposed in 1849, and this was the most important innovation in his Bills of that and the following years. The fate of both measures was a proof that he had overestimated the strength of the movement in the Colonies. No doubt the first Bill was unnecessarily handicapped by a provision for the enactment of the first federal tariff by Imperial authority. But the second Bill, which was free from this objection, received more praise in England than in Australasia. As Mr. Allin shows, the consideration, which induced the Government to withdraw the federation scheme of 1850 was the neutral or unfavourable attitude of the Colonists whom it was proposed to gratify.

All that survived from the wreck of 1850 was the original suggestion of Thompson and Fitzroy. In 1851 the office of Governor-General was created by the Crown; and Fitzroy, the first holder of the office, was particularly instructed to use his constitutional powers in such a way as to preserve free trade between Victoria and the parent Colony of New South Wales. But the experiment failed. The Governor-General dared not exercise his powers; and instead of bringing economic peace to Australasia he became a bone of political contention. The other Colonies were jealous of the prestige which the possession of the Governor-General gave to New South Wales. When Victoria leaped into importance through the gold-rush, her politicians claimed that the Governor-General ought to have his residence in her capital. An attempt to soothe Victoria by cutting down the powers of the Governor-General proved ineffectual. The office was allowed, after ten years of trial, to fall into abeyance. So perished the one visible symbol of Australasian unity. Ideas of federation were still in the air; and they are carefully analysed by Mr. Allin in his concluding chapter. But they made no progress in popular esteem. Mr. Allin attaches some weight to a personal cause in explaining the standstill. In 1858 Deas Thompson threw up his share in the agitation, and the party was left without a head. But the

federalists were by this time already beaten ; otherwise Thompson would not have withdrawn. The real reason of failure was the absence of any argument for federalism which, beside being cogent, was perfectly intelligible to the multitude. And the lesson of the failure seems to be that economic interests, however potent they may prove in cementing a union already established, are a poor substitute for fear or national sentiment in the period of formation.

H. W. C. DAVIS

The New Australian Tariff. (The Tariff Commission, London, 1907.)

THE general conclusion of the Tariff Commission regarding the effect which the new Australian tariff may be expected to have upon British trade is that "it is not likely to diminish, and may, on the whole, increase the total volumes" of British exports (p. 1).

This conclusion is merely stated, and is not supported by verbal argument. Numerous tables only, with short comments and explanations, are given, showing the imports into Australia for successive years of the principal classes of goods, British and foreign, separated, and the new and old rates of duties on British and foreign goods respectively. For 1905 and 1906 figures are given both in the old way and as corrected for country of consignment.

The only numerical estimate of the effect of the new duties is the statement (p. 8) that "Australian Treasury officials estimate the advantage given under the new tariff to British trade in competition with other trade at between £1,200,000 and £1,300,000, on the basis of the 1906 imports. Allowance being made for the expected increase of United Kingdom trade, these officials estimate that the benefit will rise to at least £1,500,000."¹

Presumably the "advantage" means the value of trade transferred to British exporters. To the extent of a million and a half there will be imported from the United Kingdom goods which would have been imported to the amount of £1,200,000 from foreign sources if British goods had been given no preference in the new tariff.

In the opinion of the Commission, apparently, this gain will be just about offset by the effect of the general increase of the rates of duties. The report, however, does not state whether the

¹ Reuter's message from Melbourne, *Times*, August 9, 1907.

numerical estimate of the Australian Treasury officials is accepted by the Commission.

The tabular statements are clear, and give very interesting particulars. A little more explanation might sometimes be desirable. Tables 4 to 10 might mislead an uncritical reader into supposing that foreigners have a preference in some cases. On "hats and caps," for instance, the "average rate of duty" is given as 24·7 per cent. for goods of British origin, and 18·8 for foreign goods. The duties differ for the various kinds of hats and caps, and it so happens that the kinds imported chiefly from the United Kingdom are subject to the higher duties. On all kinds, however, the British maker has a preference. This point might have been explained.

The series of Tables 11 to 16 give, in six classes, the value of goods which were imported from the United Kingdom and from other countries respectively in 1906, and which are subject to preferential treatment. The totals for the six classes are not summarised, but a simple addition sum shows that other countries in 1906 sent nearly 5½ millions' worth of goods which now are subject to preferential duties. These six classes, however, do not cover the whole area of preference. Part of the 5½ millions consists of goods which are entirely free when of United Kingdom origin, and the total importation of such goods from all sources, as given in the six classes, amounts to just over 1½ millions. In a later table (pp. 29-32) there is a list of goods which are free when of United Kingdom origin, but taxed when imported from foreign countries, with the value of them imported in 1906, when ascertainable. The total in this table exceeds 3 millions. It may, therefore, be assumed that the total of nearly 5½ millions of trade, which preference may assist the British manufacturer to capture, is an under-statement.

The reader might have been saved the trouble of making these calculations, and some estimate might have been attempted of the average rate of preference.

The Report does not go into the question how many of the articles on which preference is given are of a kind which British makers can readily produce, or into the reasons why, for instance, most of the wire imported into Australia is of German origin, whilst wire-netting is mainly British. It is almost entirely confined to bare statistics, which, though useful, are hardly sufficient in themselves to be regarded as establishing the conclusion set forth in the opening paragraph.

L'École individualiste et le Socialisme. BÉCHAUX. (Paris : Rousseau.) 1 vol. Pp. 330.

THIS book is the second volume of a work entitled *Les Écoles Économiques au XIX^e Siècle*, the first volume of which was devoted to the French school. In it the author was at pains to demonstrate that the French school was not, as was generally believed, a mere pendant to the classic Individualistic or Liberal school, but that it had very distinctive features and an originality of its own, both in its method and in its programme—the former including the judicious use of monographs, inquiry, and statistics, the latter sanctioning the intervention of the State in all cases where private initiative was inadequate. In the present volume is an appendix containing references to foreign criticisms, in which, as the author says, this opinion is confirmed. Judging by one of the critiques, signed by an eminent name—that of Professor Oncken (the others are anonymous)—this does not seem to be at all the case. He writes:—"Their works (those of the French Economists) do not constitute a school based on any original doctrine."

The volume before us treats of the two great antithetical schools, between which the French school could sanely evolve, holding itself equidistant from both, to wit, the English Individualistic school and the State Socialism of Germany. The author repudiates both, calling them illusive theories. But to say the truth, his book is not so much a history of the doctrines as an exposition of the questions themselves and of the various estimates to which they have given rise. Thus we witness a march-past of such questions as working-class pensions, taxation of incomes, a minimum wage, a general strike, collectivist expropriation, &c., with the addition at times of extracts from speeches in the Chamber of Deputies, and of divagations on Marxism, the Le Play school, and Social Christianity, and we the while do not always find it easy to catch the thread of the argument.

The quotations are numerous and highly instructive. The Austrian psychological school is the recipient of a compliment that is very unexpected and not very flattering to it, namely, that it has not adhered to the "economic man" theory, but "has embraced humanity in its entirety," and has understood that "the springs governing our actions are innumerable."

CHARLES GIDE

L'imposta sul trasporto degli emigranti. ¹By Prof. PASQUALE JANNACCONE. (Torino, 1907. P. 96.)

IN this short monograph Prof. Jannaccone has brought the general theory of the incidence of taxation into relation, first with imposts upon transportation in general, secondly with imposts upon the transportation of emigrants in general, and thirdly with the particular species of this kind of impost that is levied by the Italian Government under the law of January, 1901. Under the two former of these heads Prof. Jannaccone discusses the effect of imposts on transport as regards: (1) the interest of the *collettività* within whose territory the transport is effected; (2) the interest of the different markets between which the transport is effected; and (3) the private interest of the carrier and of the consumers of the taxed service. In respect of (1) and (2) the treatment is avowedly slight. In respect of (3) it is more elaborate, attention being paid in detail to the "correlated" character of the demand and supply for various sorts of transport services, and to the complications introduced by monopoly. The general drift of the reasoning is on lines made familiar to English readers by the writings of Profs. Marshall and Edgeworth, and calls for no special comment. In the course of the fourth chapter some concrete study is made of the elasticity of the demand for transport on the part of emigrants, and a distinction is drawn in this respect between the case of emigrants proper and that of persons intending to travel backwards and forwards. In his last chapter Prof. Jannaccone expresses himself as, on the whole, unfavourable to the Italian law.

A. C. FIGOU

NOTES AND MEMORANDA

ON THE MANNER IN WHICH THE PERCENTAGE OF EMPLOYED WORKMEN IN THIS COUNTRY IS RELATED TO THE IMPORT OF ARTICLES WHOLLY OR MAINLY MANUFACTURED.

AN argument of the following kind has been occasionally raised by the advocates of Tariff Reform :--The import of manufactured articles means the employment of foreign instead of British workmen, and protection would transfer to our own wage-fund the large sums that at present pass, owing to these imports, to foreign workmen.

It is an extremely difficult problem to confirm or to refute an argument of this kind. The older English economists would have met it by an *à priori* reasoning which appealed only to a small extent to specific experience. The modern economist recognises far more clearly the complexity of the problem, the great part which local circumstance, environment, economic, and political development play in any real treatment of the question. It would probably be impossible to demonstrate the truth or falsehood of the argument in our own case by anything short of a gigantic and risky experiment. It is more easy, however, to show that no evidence in its favour can be obtained from any data bearing on the point available in our own country.

In March, 1906, the Board of Trade made a return to the order of the House of Commons on manufactured imports and employment. This return gave the value of imports of articles wholly or mainly manufactured in millions of pounds, and the average percentage of workmen returned by the Trade Unions as not unemployed. The first category is, of course, satisfactory; the second undoubtedly applies only to the more skilled types of labour, but not only is the amount of employment in the skilled class an index to that in the unskilled, but, further, the unskilled class is the less likely to be employed in the manufacture of articles of value, and the more likely to be occupied in their distribution. The percentages of *not* unemployed workmen for the years 1860 to 1904 vary considerably, but there is

little permanent or secular change. The value of the imports steadily rises from £26,000,000 to more than five times the value. It is accordingly somewhat difficult from a cursory inspection to draw any conclusion as to the influence of increase of imports of manufactured articles on the extent of unemployment.

As far as I am aware the statistics have not been used in support of the Tariff Reform argument. On the other hand, I have not seen them cited as containing, as far as they can be used at all, strong evidence against that argument. In the accompanying table the first column gives the year. Column *a*

Year.	<i>a.</i>	<i>a'</i>	<i>b.</i>	<i>b'</i>
	Million pounds.			
1860	26·3	--	98·15	--
1861	27·4	+·0401	96·30	-·0192
1862	31·0	+·1161	93·95	-·0250
1863	32·1	+·0343	95·30	+·0142
1864	36·1	+·1108	98·05	+·0280
1865	37·1	+·0270	98·20	+·0015
1866	41·3	+·1017	97·35	-·0087
1867	41·8	+·0120	98·70	-·0390
1868	46·5	+·1011	93·25	-·0048
1869	46·4	-·0022	94·05	+·0085
1870	52·5	+·1162	96·25	+·0226
1871	49·3	-·0049	98·35	+·0214
1872	55·4	+·1101	99·05	+·0071
1873	57·0	+·0281	98·85	-·0020
1874	62·1	+·0821	98·40	-·0046
1875	66·3	+·0633	97·80	-·0061
1876	66·8	+·0075	96·60	-·0124
1877	69·9	+·0443	95·60	-·0105
1878	69·1	-·0116	93·75	-·0197
1879	66·5	-·0391	89·30	-·0498
1880	76·4	+·1296	94·75	+·0575
1881	74·0	-·0324	96·45	+·0176
1882	77·3	+·0427	97·65	+·0123
1883	79·0	+·0215	97·40	-·0026
1884	77·3	-·0220	92·85	-·0490
1885	77·5	+·0026	91·45	-·0153
1886	76·8	-·0091	90·45	-·0111
1887	77·8	+·0129	92·85	+·0258
1888	87·2	+·1078	95·85	+·0318
1889	90·6	+·0375	97·95	+·0214
1890	89·9	-·0078	97·90	-·0005
1891	90·7	+·0088	96·60	-·0135
1892	90·6	-·0011	93·80	-·0299
1893	89·9	-·0078	92·30	-·0163
1894	91·5	+·0175	92·30	0
1895	98·8	+·0789	93·95	+·0176
1896	106·3	+·0706	96·50	+·0264
1897	109·3	+·0274	96·35	-·0016
1898	112·3	+·0267	96·85	+·0052
1899	121·6	+·0765	97·60	+·0077
1900	128·3	+·0522	97·15	-·0046
1901	127·4	-·0071	96·20	-·0099
1902	132·5	+·0385	95·40	-·0084
1903	134·6	+·0156	94·70	-·0074
1904	135·2	+·0044	93·20	-·0161

CHART A.

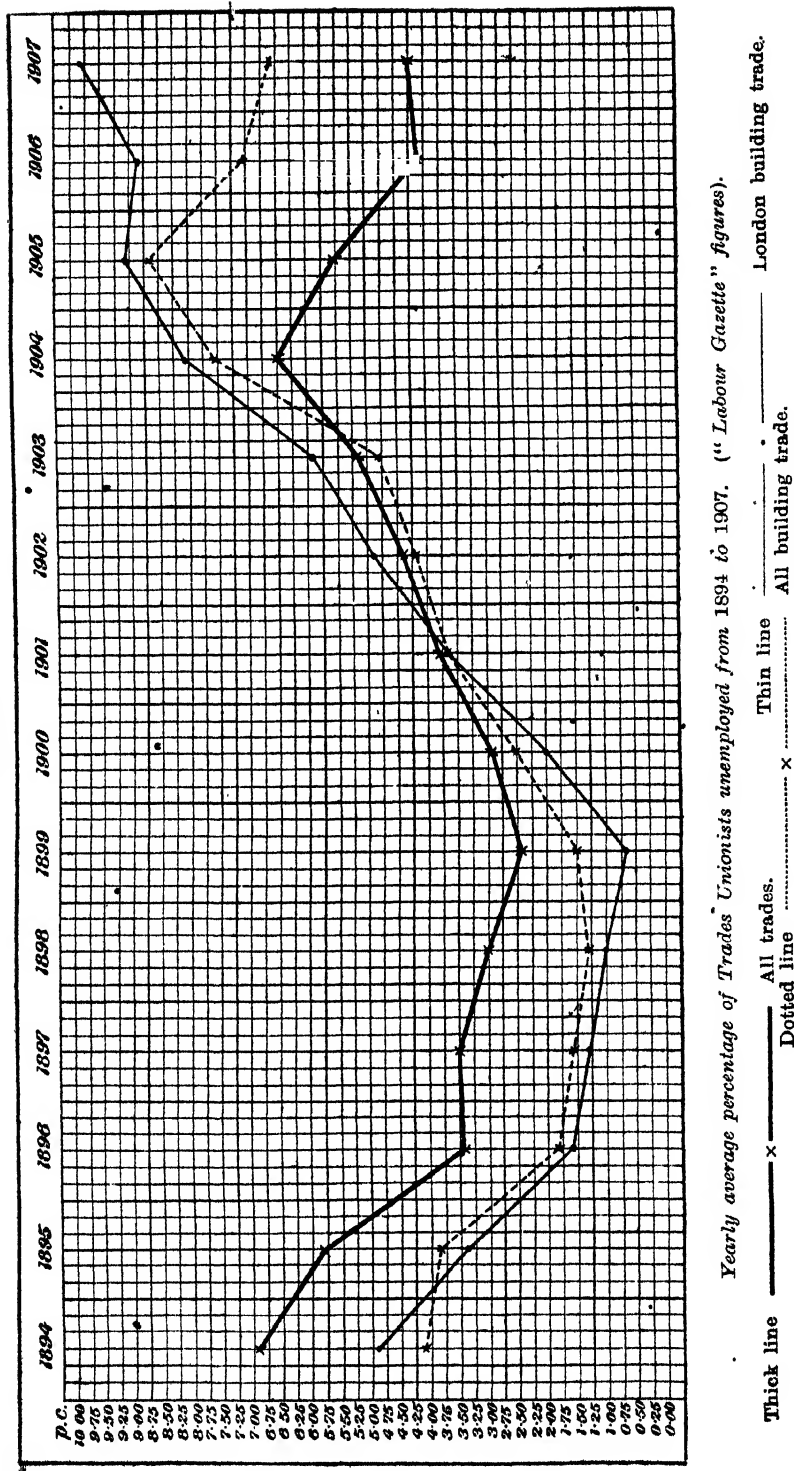


CHART B.—MONTHLY VARIATIONS IN UNEMPLOYMENT.

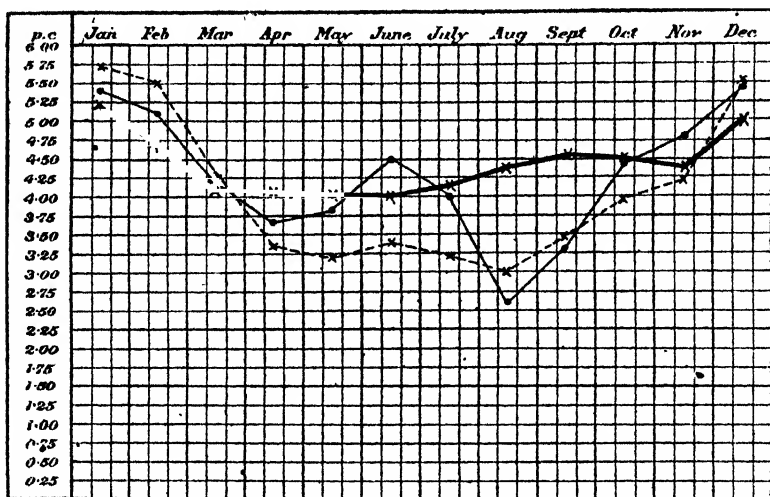


Table showing monthly variations in percentages of Trades Unionists unemployed in:—

Thick line ————— x ————— *All the trade of the country.
 Thin line The London building trade.
 Dotted line x The whole building trade (Great Britain and Ireland).

The average of each month is taken from the thirteen years 1894 to 1906 inclusive from the figures given in the *Labour Gazette*.

gives the import of manufactured articles in £1,000,000; column b gives the percentage of not unemployed workmen. These two columns are taken directly from the report. Column a' gives the rate of increase of the value of manufactured articles on the basis of the total of the previous year. In this manner I have endeavoured to free my results from the secular increase of the value of imports. Column b' gives the rate of change of the employed percentage, i.e., if x be the year and b_x be the percentage, $b' = (b_{x+1} - b_x)/b_x$.

I now proceed to find the correlation of a' , which is a measure of the tendency of the imports to increase, with both b and b' , which measure the tendency to greater employment.

If there is any basis for the Tariff Reform argument, as far as the present statistics are concerned, we should expect the relationship to come out *negative*, i.e., when the tendency to imports of manufactured articles is increasing beyond the secular rate of increase, we should expect either a downward tendency in employment percentage or a less marked tendency to increase in the employment percentage.

The following are the values of the statistical constants deduced :—

(i) Mean value of a'	=	$\cdot 0354 \pm \cdot 0045$
(ii) Variability of a'	=	$\cdot 0444 \pm \cdot 0031$
(iii) Mean value of b	=	$95\cdot 51 \pm \cdot 24$
(iv) Variability of b	=	$2\cdot 34 \pm \cdot 17$
(v) Mean value of b'	=	$-\cdot 0014 \pm \cdot 0021$
(vi) Variability of b'	=	$\cdot 0210 \pm \cdot 0015$
(vii) Coefficient of correlation of a' and b	=	$\cdot 31 \pm \cdot 09$
(viii) Coefficient of correlation of a' and b'	=	$\cdot 47 \pm \cdot 08$

In these results the variability is measured in the usual way by the standard deviation. The coefficient of correlation is a coefficient measuring the intimacy of association of two varying quantities. It lies between -1 and $+1$, being zero when they are independent, negative when one decreases as the other increases, and positive when both increase together.

We note in the present case from (v) that the mean value of b' is zero within the limits of the probable error, or there is no tendency of the percentage of not unemployed to alter during the forty odd years in question. On the other hand a' is sensibly positive, or there is a tendency for the imports to increase in a marked way; this is, of course, only the analytical expression of the reason which has led me to use a' and not a to determine the relationship of variations in the two variables.

Turning to the correlations given in (vii) and (viii) we see that, not only are they both sensible, the one being three and the other six times its probable error, but they are both *positive*. In other words, when the imports of manufactured goods tend to increase, then not only is there a larger percentage of skilled workmen not unemployed, but the rate of change from non-employment to employment is greater, or a greater importation of manufactured articles is accompanied by a higher rate of employment, and a fall in these imports marks increased want of employment. If it be said that the increase of imports is a result of the larger percentage of employed workmen who have thus money to spend, it must be further noted that the correlation of a' and b' shows that not only do large imports mean a large percentage of employed, but they indicate that the demand for skilled workmen is on the increase. In other words, they do not check but favour the tendency to greater employment.

Now, of course, the data are slender, but, so far as they go, they not only lend no support to the Tariff Reform argument,

but, on the contrary, they appear to stultify it. Like many other arguments used in political controversy, this appears based on a misuse of statistics, for, as Lord Goschen said some twenty years ago:—"Given a great number of figures partially unknown, given unlimited power and discretion of selection, and given an enthusiast determined to prove his case, and I will not answer for the consequences."

ALICE LEE

THE WORKING OF THE UNEMPLOYED WORKMEN ACT, 1905, IN RELATION TO THE LONDON BUILDING TRADE.

THE part of the above Act which is best known, and with which the present paper will be chiefly concerned, establishes the provision of temporary work to unemployed workmen. But this, though the chief, is only one of the methods by which the Act seeks to deal with the causes and results of want of work, and the main lines on which it is trying to work are three. The above is one, among several possible ways, of increasing the demand for labour; but the authorities under the Act are further given power to "endeavour to obtain work for the applicants," and to "establish, take over, and assist labour exchanges," this latter and the actual provision of work being in London confined to the Central Unemployed Body. These methods, which we may call the regulation of the supply of labour, and, thirdly, "the aiding of the emigration, or removal to another area, of the applicant or any of his dependents," are the means provided for reducing the surplus labour that is on the market. This paper, however, deals with the actual method of providing work that has been adopted, and its value in relation to causes of unemployment that affect the building trades. The Act itself contemplates the possibility of finding and, by means of temporary work, assisting those applicants who "are honestly desirous of obtaining work, but who are temporarily unable to do so through exceptional causes over which they have no control." This is to be done "in such a manner as they (that is, in London, the Central Body) think best calculated to put the applicant in a position to obtain regular work or other means of supporting himself." No trade is perhaps better able to illustrate the great complexity of the causes tending to lack of employment than the London building trade at the present time, or to show that the problems to be dealt with are far less simple than the wording of the Act would lead one to suppose. In the first place, the present long-continued depression makes

probably the existence of a large number of men "unemployed owing to exceptional causes," but in its normal condition the trade has for some time past exhibited other tendencies which the working of the Act has proved to be incapable of effective treatment by the existing method.¹ The chief causes at work, therefore, must first be described.

These causes are not by any means confined to this one set of trades, but at least all the so-called fluctuating trades suffer from them in different degrees at different times and places. First, there are those influences which tend to cause a permanent decrease in the demand for labour, either an absolute reduction in the amount required through, say, a simplification of processes, or a change in demand from the labour of one to that of a different class of workers. In either case there is a permanent reduction in the demand for the products of certain crafts, and except so far as they adapt themselves to the change, or unless a great and proportional expansion of the affected industry follows, there will be a displacement of some of the workmen. This may show itself in the permanent unemployment of some, or, in a general reduction of the time worked by nearly all; and owing to the permanency of the cause this state of things will tend to continue. In the building trade new methods of construction, new and improved processes, and new materials, are affecting the various branches, some of these changes being the slow growth of years. The use of ferro-concrete has largely substituted labourers for the carpenters who previously did the flooring work, and much less brick and stonework is required when the steel framework provides the main support for the flooring. Again, plumbers are affected by the use of concrete instead of lead flats on roofs. A new class of electrical workers now does much that others used to perform with the old materials. Manufactured stone and sanitary ware have simplified the processes concerned, and left little but the fitting to be done; and the increased amount of joinery prepared either abroad or, as regards the local London trade, in the provinces, is decreasing the work done on the spot. But unemployment so caused, though exceptional, is not temporary, and the resulting displacement of labour is a permanent thing, and not one to be dealt with by temporary expedients.

Secondly, many trades experience fluctuations in the demand for labour that extend over a series of years, to which the name of "cyclical fluctuations" is generally given. They may be the

¹ Temporary provision of work: for the other means provided, such as Labour Exchanges, may appear to be what are required to replace the existing arrangement,

result of causes that affect the trade of the country generally, which tends to improve, first slowly, then rapidly, till it booms. Afterwards a decline, first gradual, but then more rapid, sets in till the trade becomes stagnant, this being followed by another rise, and then as before. The building trade is usually affected by such influences somewhat later than others, because activity and slackness in it tend to follow, and to result from, periods of general prosperity and adversity. But variations over a period of years may also be due to causes peculiar to a single trade, and as a result it may remain comparatively unaffected by the general changes in the national business. This has for the last fifteen years been seen in the building trade, more especially in London. During the 'nineties it enjoyed great prosperity, being only partially affected by the depression of 1893-5, and remained abnormally brisk from the close of the great frost (February, 1895), to the end of 1900. Similarly, the recent revival scarcely affected the building trade, particularly in London, where both boom and slump have been more pronounced than elsewhere. Such changes answer most closely to the "exceptional circumstances" of the Act. For though such variations are recurring ones and, therefore, to some extent calculable, the long interval between them renders them still exceptional, and in a somewhat wider sense than that employed in the Act, they are also temporary.

Thirdly, steady and calculable changes take place within the year in the building, as in some other trades. These are usually called seasonal, but may be brought about not only by purely climatic causes, but by social influences, which may or may not result indirectly from them. A heavy frost stops nearly all outside, and, indirectly, much inside, work; but partly owing to the mildness of recent winters and partly to a change in the use of materials—*e.g.*, cement for mortar—these stoppages have been less frequent in recent years. Less marked in individual years, but more consistent, is the influence of general winter conditions; and short days, darkness, fogs, and rain reduce the amount of employment available from the end of October until March. Large contracts have perforce to go on, but smaller ones, and the work of the small speculative builder, tend to be crowded into the more favourable months. This is especially the case where time is important and a quick return on capital is needed; where public convenience is involved, or in business premises; and the interaction of social and seasonal influences is seen in the refusal of people to have workmen in their houses during the winter. Purely social influences are also found, especially in London, owing to

the summer and winter seasons (May to July, and December to February), for a great amount is done in the previous months, chiefly consisting of redecorations, repairs, renewals, and additions, and as little as possible during the seasons themselves. Painters are peculiarly affected, so much of their work being of this type, and theirs is the most seasonal of the building trades. Next to them bricklayers and carpenters are most, and stonemasons least, affected. The result in London is seen in a very busy period in August and September, when all kinds of work are at their busiest, and a slack winter period when both seasonal and social causes are at work; but also a less pronounced period of briskness in the spring and a decline, also less marked, in the summer—in June especially. Elsewhere the variations in employment between the seasons are far more regular (see subjoined chart). Such causes of unemployment, heavy frosts apart, are in no sense exceptional, but owing to the purely temporary nature of such seasonal changes, the resulting lack of employment is, *primâ facie*, far more likely to be met by the provision of temporary work.

Fourthly, there is that which, for want of a better term, may be described as “general irregularity” of employment, or loss of time between one job and another. No trade, except perhaps dock labour, suffers more from this than those engaged in building. The causes of this irregularity may be found in the contract system, in the taking on of men for the job only, and without references or inquiries, and to some extent in the hour’s notice. Except for speculative work, nearly all building is in fulfilment, not in anticipation of demand, and the amount of work a firm has in hand may vary continually according to its success in obtaining contracts, so that a steady total volume of employment may mean an indefinite variation from firm to firm. Further, one contract may differ widely from another, and need quite different hands, and so the total number of men engaged by a firm may remain the same whilst the units may vary greatly, as now one and now another type of artisan is most in demand. Moreover, each foreman engages his men independently for each job and dismisses them at the end of it, and even with the foremen of a single firm there may be little co-ordination, so that a man may get taken on or not according as he is known to individual foremen, and men may lose much work through death or change among them. Many men are able to move about from firm to firm, and so keep pretty constantly employed, and some firms may be able to keep, if not all their men, at any rate a nucleus of older hands, permanently employed; but most men are only

engaged for a job, and are discharged at the end of it. Each firm, therefore, and still more each district, tends to have its reserve of casual hands employed "off and on," and the size of London and the number of building firms makes much leakage inevitable. Moreover, the lower we get in the scale and the smaller the firm, the more irregular is the work. Very small firms, of which there are a considerable number, will sometimes have three or four men hanging on to them, to whom they will give a few days work a week when able to do so, seldom having anything like regular work to offer. Thus a reserve of labour is found which, except in seasons of exceptional prosperity like 1899, is never regularly employed. Many men even now are able in normal years to get regular work, and the hour's notice system enables them to leave a job that is finishing and pick up another that is likely to last; but a very large number have neither the knowledge nor enterprise to look beyond their own immediate circle, and have to be content to remain casually employed by the firms they know.

But whilst the hour's contract is of assistance to some of the men, it has, in conjunction with the accepted policy of never asking or receiving references from the men engaged, had some less beneficial results. A man is put on without any questions asked, and is judged solely by his capacity, whilst the employer is able to protect himself through his power of dismissal. The result is that the trade, and especially the easier branches, such as labouring and the simpler painting, get a continuous stream of *non-bona-fide* workmen. For whilst especially with the smaller firms the chances of regular work are greatly reduced, there are almost limitless opportunities of getting casual jobs, and few need despair of doing so. So the failures of all other trades, the men with no particular trade, and also soldiers and sailors, drift into the branches mentioned, and every general labourer is potentially a builder's labourer. Many of these men are gradually falling out of the ranks of regular industry, and may after a few years in the building trade sink to even more irregular employment at the docks. Similarly, that class who spend their youth moving from one boy's job to another without learning anything often find refuge among the builders' labourers, and so swell the number of the casually employed. So far we have only dealt with the better class, men who, whether legitimately in the trade or not, have at least the desire, if not the ability, to work regularly at it. The facilities not only for getting, but for leaving a job at will, attract many into the trade who have no desire to work con-

tinuously; men who wish to work to earn the money to drink with, or having earned a few shillings wish to spend it, or men who prefer spells of idleness as well as of work, and during the former live on the earnings of wife or children. The work is therefore spread more and more over a continually growing number of casual labourers, and the chances of regular work for the legitimate members of the trade grow less and less. This irregularity of work is practically chronic, and in no sense exceptional, many of the applicants never having had regular work. As a cause of unemployment this is permanent and continuous, becoming acute in good, and being at best mitigated in bad years.

The simple problem, therefore, of men normally self-supporting but temporarily unemployed—with which the Act proposes to deal by means of temporary employment—is found to be one of a congeries of problems, due to the number of the causes of unemployment, and their interaction one upon another, as, for instance, the influence of casual labour on lack of employment due to “cyclical” or “seasonal” causes. For it exists in all years and all months, not merely in a few. In bad years, and still more in slack months, we may find some men employed who will be out when things are better, though the reverse will be true in the majority of cases. The volume of unemployment will be less at one time than another, but some men will always be casually employed. Of men temporarily and exceptionally distressed there are no doubt many, though how far the Act has reached them is more doubtful, but the vast majority of the applicants are either men permanently displaced or men who have never been regularly employed. In reference to this point the following quotation from the Report of the Stepney Distress Committee (July, 1906, to June, 1907) will bear quotation:—“From these figures it is clear that relief work has not been effective in preventing a general downward tendency. In 1906 42 men could be classed as regular against 58 casual; in 1907, of the same men, 29 were regular, 71 casual. Moreover, 45 per cent. of the men relieved last year have come back again as poorly off as ever. Has relief work tended to arrest this state by tiding men over a hard time, or actually promoted it by rendering them in some way less efficient?”

The method adopted has been to give, after a strict inquiry into the industrial character of the applicant, a short period of work, not exceeding a maximum of sixteen weeks in one year. Every effort is made to enable and induce those who are thus helped to obtain work for themselves in the open market, both before and whilst

they are on relief work ; and all that can be done is done to prevent the assisted workmen from losing touch with their more normal sources of employment. With every precaution, however, this provision seems little calculated to meet the cases of those who are permanently displaced, or who, without being permanently displaced, have found their work, once regular, become irregular through a permanent reduction in the demand for labour in their trade. Whilst, as a matter of fact, comparatively few skilled workers of this sort make use of the Act, no merely temporary provision of this kind is likely to be sufficient to meet what is a permanent reduction in the demand for labour. On the contrary, such temporary work may keep men in the trade casually employed on odd jobs after it has ceased to afford them prospects of a decent livelihood. The result will be, therefore, to check the natural flow of surplus labour into other trades, and to decrease the mobility of labour at the very time when it is vitally important to increase it. What is wanted is to transfer to other trades and places those for whom the trade itself has no room, and to accelerate, rather than decrease, as the Act tends to do, the speed at which this change takes place. Again, as regards those who are displaced in their own trades and try to find a livelihood in some branches of building, the Act, by offering this chance of eking out irregular employment, will only foster a tendency that should be severely repressed. The remedies for unemployment of this type would appear to lie chiefly outside the Act—in improved facilities for learning cognate trades, in improved trade statistics, enabling the change to be foreseen sooner and met more quickly, and in removing the surplus. So far as the Act will assist, it will be by labour exchanges, or in the last case, emigration, whilst the farm colony, by helping to fit surplus labour for other occupations in other countries, has its own possibilities.

“General irregularity” of work, the most widespread of the causes of unemployment, is perhaps the least suitable for the method of treatment under discussion. The work provided is at best but another casual job to this type of worker, and has in his case peculiar disadvantages. For the hope of work tends to keep men hanging about the offices of the committees, losing not only other opportunities that may offer, but also their self-reliance and their efficiency, such as it is, in finding jobs. Time and again it happens that no sooner is such a man offered work than news comes that he has obtained a job on his own account. Further, cases are known where a man after a long spell of relief work finds that he has lost the capacity for picking up casual jobs,

and whilst still remaining a casual labourer, he has become a less efficient one. Similarly the Act will not prevent boys growing up untrained and casual, but by encouraging an early dependence on relief works will tend to make them more casual and less efficient than they otherwise would have been. The man who has lost his trade is also rather encouraged than repelled, and the casual by preference has no objection to hanging about the offices, and hopes for an easier job under laxer supervision than that of a contractor. If any part of the Act is likely to assist in removing such cause of unemployment it is the labour exchanges as outlined by Mr. Beveridge in a previous number of the Journal.

We may now turn from those cases where temporary relief work is most obviously unsuitable to those where there is, at any rate, some case for the methods of the Act, and where some means of increasing the demand for labour at slack periods seems most clearly called for; that is in the case of those periodic changes which operate over a series of years, or more quickly within the limits of a single year. One method of doing this comes quite outside the scope of the Act, namely, that manipulation of public and, especially, municipal contracts, with a view to equalising demand between different periods, which is favoured by many high authorities. For instance, some boroughs already do as large an amount as possible of their municipal work in the winter; but, further, it is proposed that such of the larger public contracts as are less immediately necessary should be kept in hand till a slack period of trade. Such a policy, if practicable, would be more easily applied to building than to almost any trade, and would have the double effect of decreasing the demand for labour at busy, and increasing it at slack periods, thus increasing the percentage of steady employment, and of those regularly, at the expense—let it be granted—of those casually employed. Secondly, there is the simple provision of additional employment, either by voluntary aid, as under the Act, or at public expense. This is where there is, *prima facie*, a case for the method in use, and the carrying out of intrinsically useful work that would not otherwise be done, as at Farnbridge and Hollisley, is admittedly the best and least dangerous method. As between the system of distress committees or the provision of work carried out under normal contract methods, every argument seems to favour the latter, given certain safeguards.

In the first place the length of time, often unavoidably, taken over a case tends to keep men hanging about the offices, and to sap their self-reliance, and also to check that mobility from one

job to another, on which the success of a building operative depends. Secondly, the applicants are seldom the most efficient of the unemployed or men temporarily unemployed owing to cyclical or seasonal fluctuations, but though in a majority of cases honest and deserving enough, too often chronic casuals and not very efficient workers. Again, the work done has proved more expensive and of inferior quality to what would have been done under contract, and in this respect the opinions of most distress committees coincide, though, considering the character of the labour and the conditions of its employment, it has often, but not always, been creditably performed.¹ Finally, relief work in this form cannot be varied to suit different trades, and is largely confined to the rougher labouring work, and there are few openings suitable to artisans, either in the building or any other trades.

To these objections work put out to contract would not be liable. It would be taken in hand when required, and men would be taken on without delay. The sharpest, most enterprising, and most efficient type of unemployed would get employment, the shirker and inefficient, even if taken on, would soon be found out and discharged. Better value would be obtained for the money, and therefore a given sum would provide a greater amount of work, and, moreover, it might be possible, especially with the building trade, to provide work more suitable to all classes, and more likely to be utilised by the artisan. Purely business principles would govern the carrying out of such contract, though it might be possible to make greater use of employment exchanges than in ordinary works, and a "local labour clause" would almost certainly be required. But no man would be given the right of demanding employment; and whilst standard wages and conditions would be observed, retention or dismissal would be a matter for the contractor alone, and laziness, incompetency, and insubordination would obtain short shrift. Under these conditions it would appear that work provided to meet periods of slackness would have the greatest hopes of success, with the further advantage that the giving of additional work to the open market might tend to check a decline or hasten a revival. Many difficulties remain, no doubt, to be overcome, but this appears in the light of recent experience to be the most hopeful method of providing work for some classes of the unemployed. For others quite different treatment and different methods seem to be needed.

¹ On more than one occasion men have complained that their fellows on relief work were a very rough crowd, and that the standard of work was so low as to be even unpleasant in cold weather. One man complained of not being allowed to work hard enough to keep warm. (Stepney Distress Committee, Report, 1906-7).

The Act, as a whole, therefore, whether in relation to trade generally, or more particularly to the building trades, may be regarded as not very successful in what it has actually accomplished, but at the same time of extraordinary suggestiveness. Judged by what it has done it has been at best a modified failure, but by what it has taught undubitably of great utility. Failure to touch some causes of unemployment, wrong methods in others, harm done in individual cases there may have been, but its cost has been small, no dangerous precedent has been created, and no new evil tendencies encouraged. For this it has enabled its administrators to realise the vast complexity of the problems before them, and the different evils requiring each a different remedy, whilst it has tended to check dangerous experiments and wild-cat schemes. It may not itself have dealt with unemployment, but it has given the knowledge necessary for beginning a sound and scientific treatment of its problem. Finally, the failure of its main plank—relief work—has thrown greater light on the possibilities of other expedients that it has forwarded, namely, that of the labour exchange, and that of migration and emigration, especially when worked hand in hand with the latter.

N. B. DEARLE

THE SWISS CHOCOLATE INDUSTRY.

AMONGST the industries of the small but industrious Swiss federation, that of chocolate has attained a position of surprising eminence in an unusually short period, and it is well worth while to devote a little space to the careful consideration of this subject. The present period, which marks a turning point in the history of this Swiss industry, is a peculiarly suitable one to choose for taking a survey of the formation, progress, and position of the chocolate industry in Switzerland.

In the third quarter of the nineteenth century this industry was still almost entirely restricted to providing its own country with cocoa products. Then in the year 1875 D. Peter discovered milk chocolate, and this afforded the impetus that made what is now one of the foremost of the Swiss industries out of one which was at that time so modest. At first, however, it only progressed very slowly. In the year 1890 the entire total of the exported cocoa products only amounted to about £85,331; of this sum about £78,469 resulted from chocolate, and about £6,862 from cocoa and chocolate paste—very moderate figures.

It is, however, worthy of remark that even at this time the most important countries were to be reckoned amongst the purchasers of Swiss chocolate; it is true the value of the quantity despatched to the single countries only amounted to a few hundreds or thousands of francs, but we may learn from this that the manufacturers had begun to send out feelers on all sides of the compass to try to find a sale for their ware, and, as a matter of fact, the foreigner found the Swiss milk chocolate to his taste.

The propaganda used to puff the article were at first extremely moderate in tone, and referred with great aptitude to the excellent qualities of the Swiss Alpine milk contained in this product. The sale grew from day to day. It was still possible to meet the requirements of the market with the industrial facilities then in hand. But when the demand increased so tremendously that the value of the quantity exported from year to year rushed up to millions, it was no longer possible to keep up with it with the existing means of production. A considerable enlargement and improvement of the industrial facilities proved to be necessary. To this end an enormous capital was required, and in order to procure this capital many business concerns were converted into joint-stock companies. A period of speculation then commenced for the Swiss chocolate industry.

Equipped with vast factories provided with the newest machinery worked by the cheap force of nature, electricity, the Swiss chocolate industry entered upon a new stage. If until then the power of production had been behind the requirement, the condition of things was now reversed; a sale was needed and sought for. If manufacturers had hitherto—at least, in other countries—worked tolerably amicably side by side, henceforth commenced a fierce war of competition between the various Swiss factories—a war that was raged to the point of animosity with the weapons of puffing advertisements, of discount to the retailer, &c. The industry as such flourished, however, for in consequence of this rivalry the manufacturers took pains to increase the excellence of their product, and thus it came to pass that they not only preserved the old markets, but also conquered new ones in plenty. The exports increased from year to year by leaps and bounds: in 1895 the returns were about £150,509, viz., about £129,956 from chocolate and about £10,533 from cocoa and chocolate paste; in 1900 they had reached about £434,599, viz., about £403,645 from chocolate and about £33,114 from cocoa and chocolate paste; while in 1906 the returns amounted to about

£1,453,195, viz., chocolate about £1,367,303 and cocoa and chocolate paste about £85,492. The quantity exported has thus increased more than tenfold in eleven years.

In order to obtain the value of the entire production of the Swiss chocolate industry, we must add the amount consumed in the country itself to the amount exported. No numerical estimate is to be found upon this subject, but we shall not go far wrong if we value the home consumption at about £56,000. If we assume the average rate to be £14 per 100 kilogrammes (the rate of export in 1906 amounted to about £16), we obtain a total value in round figures of £2,000,000, or a sale of 14,290,000 kilogrammes.

Let us now glance at the conditions under which this Swiss industry works. The price of the most important raw materials, which have to be imported from foreign parts—viz., cocoa-beans and sugar—is hardly raised at all by duty, cocoa costing 1 franc per 100 kilogrammes and sugar 5 francs. The milk was to be obtained at a reasonable price in the country itself by purchasing enormous quantities at a time, as chocolate factories are bound to do. The swift-flowing rivers generated more than enough power to drive the machinery by electricity, and manual labour was purchasable at a proportionately lower wage.

With the year 1906 a tremendous revolution begins in the Swiss chocolate industry—a revolution that is not yet ended, and the result of which cannot with certainty be foreseen. Whence comes this change? Reference has already been made to the violent war of competition between the various Swiss firms. All attempts to put an end to it were futile, until outward circumstances led the jealous wranglers to the right road, and these circumstances were the unusual increase in the prices of the raw products in 1906. The consumption of milk had increased enormously likewise from year to year in other industries in the making of which milk was employed. This had raised the price of milk little by little, and occasioned the Swiss firms either to connect themselves with an establishment where milk was employed, or to establish such, or to found branch factories in foreign countries. Added to that came the enormous advance in cocoa towards the end of 1906, the corresponding rise in the prices of cocoa-butter, the higher price of tinfoil, and last, but not least, upon the raising of wages, organised agitation arose among the factory hands. It became necessary to guard the mutual interests of the manufacturers, and two different unions were started almost simultaneously. One of these originated in 1906 upon a

national basis, with the immediate object of generally raising the prices of the inferior sorts of chocolate, and at the end of August, 1907, of the better sorts as well; the union was also to regulate the proportion of discount to the retailers. Most of the Swiss chocolate factories joined this syndicate, and by that means the outgrowth of a measureless war of competition was cut off. It is to be hoped that this syndicate will also help in time to bridle the mad waste of millions of money in purposes of propaganda!

By the side of this national union stands a younger international one in Hamburg, a company for the purchase of cocoa, founded at the beginning of 1907 with a capital of about 600,000 marks. The most influential German, Austrian, and Swiss firms belong to this company. Started under the influence of an advance on the cocoa market, chiefly worked by the agents, it ought to serve in the first place to do away with those agents, to overturn the dominating advance faction, and to render further speculative manoeuvres of the same sort impossible. Though this company has existed and carried on operations for more than half a year, no kind of calm is to be noted in the cocoa market; the prices have maintained their tendency to rise, and since the middle of 1906 have climbed up to about 100 per cent. What has become of the pacifying influence of this company for the purchase of cocoa? It has failed to act for two reasons. In the first place, the members are not bound to buy through the company—indeed, only too often they go to the agents whom they want to get rid of; and in the second place, people seem to have forgotten that speculation is not a privilege of agents alone, that planters may engage in it, too, and, apparently, do so to a considerable extent.

If the first half of 1907 strengthened the position of the Swiss chocolate factories through the founding of this company for the purchase of cocoa, it was obliged to witness on the other hand the downfall of two firms. One may reasonably characterise both these crashes as the result of speculating in this industry—and every speculation will have its victim. No injury to the industry has accrued so far from this; on the contrary, rather a benefit has followed, for it urges caution upon others. Partly before and partly since these catastrophes a certain moderation in the extravagant puffing advertisements has been observed in some of the Swiss chocolate firms. In addition to this some of the larger businesses are earnestly seeking to improve the condition of their staff of workers by raising their wages, by shortening the hours of work, and by all sorts of arrangements for their welfare. All these measures conduce to confirm the economical position of the

existing Swiss chocolate factories; but at the same time they make the starting of new branches hard by increasing the difficulty of procuring consideration for a new label by the side of the well-established old ones. It almost seems as if free competition is leading to monopoly along the road of challenge, and this road has lately become exceeding broad.

A. MURIEL FARRER

THE ECONOMIC LEGISLATION OF 1907.

ALTHOUGH shorter by an autumn Session than the Parliamentary year of 1906, the past year has been equally productive in quantity. This may be accounted for by the Government not having attempted to pass any measure as contentious as the Education Bill of 1906. At the same time, several of the new statutes—such as the *Small Holdings and Allotments Act*, the *Territorial and Reserve Forces Act*, the *Criminal Appeal Act*, and the *Deceased Wife's Sister's Marriage Act*—have been the subject of much debate and of difference of public opinion.

Reviewing the legislation as a whole, we begin with

1. *Acts applicable to the Empire at large.*

Out of a revenue of £144,000,000, estimated upon the basis of past taxation, the *Appropriation Act* (7 Edw. VII., c. 20) authorised an expenditure on the Navy of thirty-three millions sterling, a reduction of half a million from the year 1906; on the Army thirty-one millions, with a further three millions for the Ordnance factories, a total reduction of two millions, in connection with which we note that the standing army authorised by the *Army (Annual) Act* (c. 2) is 190,000—14,000 fewer than in 1906. The Education vote increased from seventeen millions by nearly three-quarters of a million, and a grant of £280,000 was made in relief of the island of Jamaica after the earthquake. An additional £800,000 is authorised by the *Public Works Loans Act* (c. 36), to be advanced by way of loan to that island. Under the same Act Nigeria is to have a loan of £2,000,000 for the purpose of constructing and improving railway communication. The *Transvaal Loan (Guarantee) Act* (c. 37) guarantees the repayment of a £5,000,000 loan to be raised by the Transvaal. The *British North America Act* (c. 11) amends the scale of payments to be made by Canada to the several provinces of the Dominion for their

local purposes and the support of their Governments and legislatures. Turning from the financial Acts, the *Australian States Constitution Act* (c. 7) amends the law relating to the reservation for his Majesty's pleasure of Bills passed by the Legislatures of the States forming part of the Commonwealth, and confirms certain Acts passed by those Legislatures. Among the Bills which need not be reserved for consent are those for a temporary law to meet some public and pressing emergency.

The *Council of India Act* (c. 35) makes certain changes in the constitution of the Council. The number of members is to be not less than ten and not more than fourteen, as the Secretary of State may determine from time to time. A member's salary is reduced from £1,200 to £1,000 a year, and his term of office from ten years to seven years. The majority of the members must be men who have not left India more than five years before their appointment, instead of ten years as previously.

The *Merchant Shipping Act* (c. 52) provides that the deduction allowed to be made in respect of the space occupied by the propelling power when calculating the register tonnage of a steamship shall not exceed 55 per cent. of the register tonnage; the restriction does not apply to tugs, and does not apply until January 1st, 1914, to ships constructed under a contract made previously to May 1st, 1907.

The *Territorial and Reserve Forces Act* (c. 9) is most suitably considered as one of the Acts applicable to the Empire. Part I. provides for the establishment by the Army Council of an association in every county of the United Kingdom for the purposes of reorganising and administering the military forces other than the regulars and their reserves. The associations have not any powers of command or training over any part of the military forces, but they are to ascertain the military resources of the counties and to render advice and assistance to the Army Council. Various powers and duties may be imposed upon these associations, in particular the maintenance of the units of the Territorial Force at all times other than when the units are called out for training or actual military service; recruiting; providing rifle ranges and sites for camps; facilitating the provision of areas to be used for manœuvres; arranging with employers of labour as to holidays for training, and ascertaining the times of training best suited to the circumstances of civil life; establishing or assisting cadet corps; providing horses for the peace requirements of the Territorial Force; providing accommodation for the safe custody of arms; paying allowances to the families of men of the

Territorial Force when embodied or called out on active service; and looking after reservists and discharged soldiers. The expenses are met by the Army Council as part of the annual cost of the Army. Part II of the Act deals with the raising and maintenance of the Territorial Force, with enlistment and the term of service therein, and discharge therefrom. Any part of the Force shall be hable to serve in any part of the United Kingdom, but no part shall be ordered to go out of the United Kingdom, though any part may volunteer to serve abroad, or to be called out for actual military service for purposes of defence before the Force is embodied. Every recruit must undergo preliminary training during the first year, and every man of the Force must undergo annual training. Immediately upon the Army Reserve being called out on permanent service, the Territorial Force may be embodied, and any man who fails without leave to attend on embodiment shall be guilty of desertion, and be liable to be tried by court-martial. Part III. deals with the Reserve Forces, and the most noteworthy provisions are those which incorporate the Militia into the Army Reserve, and create a class of special reservists, consisting of men who have not served in the regular forces.

II. *Acts applicable to the United Kingdom.*

The first to be considered is the *Finance Act* (c. 13). The Chancellor of the Exchequer had a surplus for the year of three and a half millions, estimated on the same basis of taxation as in the year 1906. To this he added another £600,000 by amending the scale of Death Duties, which now range from £1 per cent. on an estate worth between £100 and £500, to £10 per cent. on the first £1,000,000 of estates of £3,000,000, and £15 per cent. on the remainder. The only remission which the surplus produced was 3d. in the pound off the Income Tax payable in respect of earned incomes where the total income from all sources does not exceed £2,000. This remission was calculated to dispose of £1,250,000 of the surplus; as to the general Income Tax of 1s. in the pound, that must now be considered to be permanent.

The *Telegraph (Money) Act* (c. 6) allocates the sum of £6,000,000 to the purpose of developing the Government telephones.

The *Butter and Margarine Act* (c. 21) is directed against the present adulteration of butter. Butter factories—that is, premises where butter is blended or reworked—and consignments of milk-

blended butter are to be registered as margarine factories and consignments of margarine hitherto have been. These factories will be under Government inspection. There is a prohibition of adulterants in butter factories and against the manufacture or importation of butter, margarine, and milk-blended butter which contains more than the limit of moisture—16 per cent. in butter and margarine and 24 per cent. in milk-blended butter. There are provisions as to the marking of wrappers used in connection with margarine, and as to the names under which margarine and milk-blended butter may be sold. Penalties are prescribed for offences under the Act.

An important measure is the *Limited Partnership Act* (c. 24), which introduces to us the system of the *société en commandite*, long established on the Continent. The idea is that an outsider should be able to put capital into a business and be remunerated by a share in the profits, without the fear of risking his whole fortune through the business failing. A limited partnership shall not consist, in the case of a banking business, of more than ten persons, and in any other case of more than twenty, and it must be registered, or in default every limited partner becomes a general partner, and as such fully liable for the debts of the firm. A limited partner may not take any part in the business, and his death or bankruptcy does not necessitate a dissolution. As regards compulsory winding-up, limited partnerships are in the same positions as companies. Patents and designs have been dealt with in two Acts, the *Patents and Designs (Amendment) Act* (c. 28) and the *Patents and Designs Act* (c. 29), the latter of which repeals the former. The Act (c. 29) is of considerable length, and practically repeals and codifies all previous legislation on the subject. Among the new provisions is one by which a grant of patents may be made to two or more persons, who, subject to any contract to the contrary, shall be severally entitled to use the invention without accounting to one another. An important section of the Act provides for the revocation of a patent on the ground that the patented article or process is manufactured or carried on exclusively or mainly outside the United Kingdom and satisfactory reasons are not forthcoming to explain why the work is not done in the United Kingdom.

The *Public Health (Regulations as to Food) Act* (c. 32) enables regulations to be made as to importing, preparing, storing, and distributing articles of food or drink intended for sale for human consumption. Hitherto it has only been possible to seize and to

condemn unsound food when it has got into the hands of the retailer.

The Factory and Workshop Act of 1901 has been made to apply to laundries carried on by way of trade or incidentally to the purposes of any public institution, and the hours of employment of women and children in laundries are regulated (*Factory and Workshop Act*, c. 39). Charitable institutions and reformatories where manual labour is exercised upon articles not intended for the use of the institution also are brought within the provisions of these Acts.

The object of the *Notification of Births Act* (c. 40) is to reduce the rate of infant mortality. The Act applies to areas where it is put into force by the Local Government Board, or adopted by the local authority, and a local authority must then bring its terms to the notice of all medical practitioners and midwives practising in the area. When a child is born in that area, the father, if he is residing at the time in the house where the birth takes place, and any person in attendance upon the mother within six hours of the birth, must within thirty-six hours of the birth notify in writing the district medical officer of health.

The *Employers' Liability Insurance Companies Act* (c. 46) applies the provisions of the Life Assurance Companies Acts of 1870 to 1872 to companies which carry on the business of insuring employers' liability, with the following exceptions:—Any company which carries on such business as incidental to marine insurance; an association of employers which carries on such business mainly for the mutual insurance of its members; a member of Lloyd's or any other association of underwriters approved by the Board of Trade, provided that he deposits £2,000, and makes an annual return to the Board of Trade of the extent and character of such business effected by him, and complies with certain other conditions.

The intention of the *Deceased Wife's Sister's Marriage Act* (c. 47) is well known. No marriage heretofore or hereafter contracted between a man and his deceased wife's sister shall be deemed to have been or shall be void or voidable as a civil contract, by reason only of such affinity. No clergyman of the Church of England shall be liable to any such penalty, or censure, whether civil or ecclesiastical, for anything done or omitted to be done by him in the performance of the duties of his office to which he would not have been liable if this Act had not been passed; and when any such clergyman refuses to marry two persons who, but for such refusal, would be entitled to be married in his

church or chapel, the clergyman may—though he is not obliged to—permit any other clergyman to perform the service in such church or chapel. Nothing in the Act relieves a clergyman of the Church of England who marries his deceased wife's sister from ecclesiastical censure.

The *Companies Act* (c. 50) is very important, and is mainly concerned in ensuring still greater publicity in companies' affairs. For instance, a company which refrains from issuing a prospectus on its formation has to file with the Registrar all the information which a prospectus should have contained; a company must file a balance sheet annually with the Registrar; the classes of mortgages and charges which must be registered are extended; the enforcement of a security must be registered; full publicity is given to the register of mortgages; a liquidator appointed in a voluntary winding-up must file with the Registrar notice of his appointment; creditors have increased opportunities and powers in a voluntary winding-up; and, for the first time, foreign companies which have a place of business within the United Kingdom are subjected to certain requirements. The Act recognises "private" companies; but the expression is used in the narrow sense of a company which by its articles (a) restricts the right to transfer its shares, (b) limits the number of its members to fifty, and (c) prohibits any invitation to the public to subscribe for shares or debentures. These "private" companies are exempted from some of the requirements contained in the present and in previous Companies Acts.

111. *Acts applicable to England, Wales, and Ireland.*

The *Married Women's Property Act* (c. 18) deals among other things with the decision in *Re Harkness and Allsopp* (1896), 2 ch., 358, and now a married woman is able to dispose of any property of which she is trustee without the concurrence of her husband.

A matter of considerable public importance is dealt with by the *Lights on Vehicles Act* (c. 45). Every person who shall cause or permit any vehicle to be in any street, highway, or road to which the public have access during the period between one hour after sunset and one hour before sunrise, shall provide such vehicle with a lamp or lamps, in proper working order, and so constructed and capable of being so attached as when lighted to display to the front a white light visible for a reasonable distance. If only one lamp is so provided it shall be placed on the offside, and if any lamp shows a light to the rear, such light shall

be red. If there is a load projecting more than six feet to the rear, a rear light is essential. The driver or person in charge of the vehicle must keep the lamps properly trimmed, lighted, and attached. A borough council may exempt from the operations of the Act any vehicle which is carrying inflammable goods, or a vehicle within any place in which it would be dangerous to enforce the provisions of the Act owing to the fact that inflammable goods are usually stored or dealt with in or near the place. County councils may exempt vehicles carrying farm produce in the course of harvesting. Bicycles, tricycles, motor-cars, and locomotives which already are obliged to carry lights, and vehicles drawn or propelled by hand, are not within the Act, nor are vehicles in the public service of the Crown, which may be specially exempted in naval or military interests. Some of the exemptions from the operation of this Act may, it is feared, mitigate against the general usefulness of its provisions.

Another Act of extreme importance is the *Public Health Acts Amendment Act* (c. 53), the many provisions of which can only be referred to shortly here, but it should be noted that many similar provisions are already in operation in different localities, and their inclusion in this Act only makes their application general. Part II. deals with streets and buildings. Plans and sections of any street or building deposited in pursuance of bye-law are of no effect unless the work is commenced within three years. Local authorities may vary the direction or position of proposed new streets, and may make requirements as to repairing private streets, the shape of buildings at a corner of a street, the height of chimneys, the paving of yards, the erection of temporary buildings, the removal of materials in streets, and the security of hoardings. Part III. deals with sanitary provisions, under which local authorities are given increased power to inspect and to test drainage and to require the provision of sanitary arrangements, and themselves to provide public conveniences and lavatories, and ambulances. Restrictions are laid down in Part IV. as to infectious diseases in connection with the carrying on of any trade or business, persons being engaged in a dairy, clothes being sent to a laundry, children attending school, borrowing books from public or from circulating libraries, and the conveyance of persons in public vehicles. Part IV. contains provisions with respect to common lodging-houses. Part V. gives local authorities additional powers as to parks and pleasure grounds, in particular in the way of facilitating games and recreations, and providing music, reading-rooms, and places of entertainment and

refreshment. Under Part V. regulations may be made by local authorities dealing with street traffic, dangerous riding and driving, leading or driving animals, obstruction or annoyances to persons using the sea-shore, esplanades, and promenades. Female domestic servants' registries and old metal and marine stores must be registered, and may be kept under supervision. Part VIII. deals with fires. Police constables and firemen may enter and break open adjoining premises in case of fire without leave of the owner or occupier. Sky-signs are the subject of Part IX. They may not be erected or retained without the licence of the local authority. Part X. contains miscellaneous clauses, dealing, among other things, with the local authority's power to make bye-laws with regard to public bathing, the provision of life-saving appliances, and the licensing of pleasure boats.

IV. *Acts applicable to England and Wales.*

We begin with the *Criminal Appeal Act* (c. 23), the policy of which has been much discussed. The Act applies to all persons convicted after April 18th, 1908. For such persons there will be a Court of Appeal, to which the Lord Chief Justice and eight judges of the King's Bench Division of the High Court will belong. The prosecutor has no right of appeal except in the one instance mentioned below. The cases in which a person convicted may appeal are:—(a) Against his conviction, on any ground which involves a question of law alone; (b) against his conviction, with the leave of the Court of Criminal Appeal or upon the certificate of the judge who tried him that it is a fit case for appeal on any ground of fact alone, or of mixed law and fact, or on any other ground which appears to the court to be sufficient; and (c) against his sentence, with the leave of the Court of Criminal Appeal, unless the sentence is one fixed by law. No appeal shall lie from this court unless the Attorney-General certifies that the decision of the court involves a point of law of exceptional public importance, and that it is desirable in the public interest that a further appeal should be brought, when an appeal may be made to the House of Lords; this latter is the only case in which the prosecutor may appeal. The Court of Criminal Appeal may admit the appellant to bail pending the determination of his appeal. On the hearing of any proceedings under this Act, no costs may be allowed on either side.

Under the *Qualification of Women (County and Borough Councils) Act* (c. 33), a woman shall not be disqualified by sex

or marriage for being a councillor or alderman of the council of any county or borough (including a metropolitan borough).

The *Education (Administrative Provisions) Act* (c. 43) contains some important provisions for the better administration of the Education Acts. Local education authorities are to have the same power of acquiring land, compulsorily or by agreement, for the purpose of higher education, as they already have under the Education Acts for elementary education; also, with the consent of the Board of Education, they may appropriate land held by them for one such purpose, to the other purpose. With the consent of the Local Government Board they may appropriate for the purposes of the Education Acts any land acquired by them otherwise than in their capacity of local education authority. County councils are given power to contribute towards capital expenditure incurred by non-county boroughs or urban districts within their county for the purposes of higher education. With regard to questions as to whether particular expenses have been incurred upon capital expenditure or not, it is enacted that no question shall be raised on audit where those expenses have been so treated in accordance with an order of the Local Government Board. Local education authorities are given power to provide vacation schools and recreation during the holidays for children attending public elementary schools, and they are bound to provide for the medical inspection of children as soon as possible after their admission to a public elementary school, and on other occasions as the Board of Education may direct. The Teachers' Registration Council, whose duty it was to keep a register of teachers under the Board of Education Act, 1899, is abolished, but a new registration council representative of the teaching profession may be constituted, to whom shall be assigned the duty of keeping a register of such teachers as satisfy the conditions of registration established by the Council for the time being, and who apply to be registered.

The object of the important *Small Holdings and Allotments Act* (c. 54) is to extend holdings and allotments in England and Wales. Two Small Holdings Commissioners are appointed, who shall ascertain the extent of the demand for small holdings and of the means of satisfying it, and it is the duty of local authorities to assist and furnish information to the Commissioners. According to the result of such inquiries, the Board of Agriculture may make a report to the council of any county, whose duty it shall be to prepare a draft scheme, or any such council may prepare a draft scheme without receiving a report from the

Board. A scheme when confirmed by the Board must be carried out by the county council, and if the carrying out results in a loss, the Board may pay such loss. A county council may, for the purpose of providing small holdings, acquire land by agreement or compulsorily, and adapt and let it to persons or associations who desire to cultivate the holdings. As regards allotments, five acres is substituted as the limit of the extent of an allotment or allotments which may be held by one person, in place of one acre as under the Allotments Act, 1887. The county council's power of compulsory acquisition of land applies also to land for allotments, and a duty is imposed upon such councils to ascertain what demand there is for allotments in the urban districts and rural parishes in their county, and what means there are of satisfying such demand. The Act imposes certain restrictions on the acquisition of land; for instance, land which forms part of any park, garden, pleasure ground, or home farm attached to and usually occupied with a mansion house, or is otherwise required for the amenity or convenience of any dwelling-house, or is a site of an ancient monument or other object of archaeological interest, shall not be acquired compulsorily, nor shall a holding of fifty acres or less in extent. Where land has been leased compulsorily, the owner may resume possession of any part if he requires it for building, mining, or other industrial purposes, or for making roads. It is only possible to give a general outline of this Act, from which so much is expected. It came into operation at the beginning of the year.

V. *Acts applicable to Scotland alone.*

The *Whale Fisheries (Scotland) Act* (c. 41) prohibits the exercise in Scotland of the whaling industry—including the manufacture of oil or other primary products—without a licence from the Fishery Board of Scotland, and subject to conditions as to the site of factories and stations, the number of whaling steamers to be used, and the nationality of the licensee. It is forbidden to pursue, kill, or shoot at any whale within three nautical miles of low-water mark of any part of the coast of Scotland, and there are other provisions restricting the manner of exercising the industry and for the inspection of factories, stations, and vessels.

The *Qualification of Women (County and Town Councils) (Scotland) Act* (c. 48) contains provisions for Scotland of a kind which Chapter 33, already referred to, has applied to England and Wales.

VI. *Acts applicable to Ireland only.*

The *Irish Tobacco Act* (c. 3) repeals the law passed in 1831 which prohibits the cultivation in and exportation from Ireland of tobacco; the repeal takes effect when an excise duty is imposed on such tobacco. The Commissioners of Inland Revenue may prohibit the cultivation of tobacco except by persons holding a licence and on land approved for the purpose.

The *Irish Land Act* (c. 38) adds to the provisions of the Irish Land Act, 1903, by enabling the Land Commission, to whom mining rights were reserved under that Act, to let, lease, sell, or demise the same. The period of six months from the death of the testator, limited by the Act of 1903 with respect to registering a charge on a holding created by will or codicil, is changed to twelve months from the grant of probate of the will, or letters of administration with the will annexed, as the case may be.

Economies are effected in the administration of the law in Ireland by the *Supreme Court of Judicature (Ireland) Act* (c. 44). The next two vacancies occurring on the bench in the King's Bench Division of the High Court in Ireland, other than the Lord Chief Justice, will not be filled, and the salary of the Lord Chancellor of that country is reduced as from last August to £6,000 a year. The savings so effected are to be applied for the purposes of the Labourers (Ireland) Acts, in accordance with the intention expressed in the Act of 1906.

Finally we have the *Evicted Tenants (Ireland) Act* (c. 56), which enables the Estates Commissioners to acquire land compulsorily and to reinstate thereon evicted tenants whom the Commissioners consider to be fit and proper persons to become purchasers under the Land Purchase Acts.

MONTAGUE BARLOW

LETTER FROM CANADA.

THE CRISIS AND THE BANKS.—IMMIGRATION.—COASTING
TRADE.—FRENCH TREATY.

IN view of the severity of the financial crisis in the United States, the course of events in the banking and commercial world of Canada seems to call for first notice in this letter. The situation may be briefly summed up in the statement that the banking system of Canada has demonstrated its soundness under circumstances of considerable strain. Commercial and financial

relations between the Dominion and the United States cannot but be close, and trouble there could not leave us unaffected. It has not been this alone, however, which has been the cause of the anxious period through which leaders of the commercial life of Canada have passed since last October. The extraordinary rate at which the opening up of the resources of the Dominion has proceeded for about a decade has had its share in the result. A speculative fever has existed, and there can be little doubt that the usual result has not been escaped, namely, considerable investment, whose returns will be realisable, if at all, in a future too distant to be effective in maintaining present values. The aggregate figures of the Chartered Banks reflect the rapidity of the expansion. From 1897 to 1907 the aggregate liabilities to the public nearly trebled, and this roughly gives the measure of increase of the more important items, reflecting the activity of bank business. The growth, rapid as it was in preceding years, was marked in 1905 and 1906 by an almost startling rate of increase. Comparing corresponding months in these two years, or, more briefly, the average of the monthly figures, a growth of very nearly 15 per cent. in the aggregate liabilities to the public, and of 17 per cent. in loans and discounts, is revealed. It would appear that, apart from the course of events in the United States, the conditions in Canada itself were making for the inevitable consequences of over-extended credit. Early in the year 1907 the bank returns show that a restraint was being imposed, and maintained, on further credit inflation. Cash reserves were steadily increased, while loans ceased to show expansion, and, as a natural consequence, deposits also no longer increased as formerly. The proportion of cash reserves to liabilities, and especially to demand liabilities, progressively improved month by month. But the restraint on lending did not fail to evoke an outcry against the bankers. Even when the panic was in full swing in the United States, complaints were loud and persistent from Winnipeg that the policy of the banks was threatening ruin to the grain trade and to the farmers. The lack of the facilities required for the speedy marketing of the crop was alleged, and especially for the pressing forward of the considerable proportion of grain which had suffered from frost, and was consequently a somewhat doubtful security for loans. Within the last few days statements have gone the round of the Press that the proportion of the crop marketed to date is exceptionally high for mid-January, a statement which, if true, would require us to believe either that exceptional banking facilities

were afforded during December, or that the November outcry was ill-founded.

Efforts were made to bring pressure to bear on the Government to render assistance, or to induce the banks to do so. The Minister of Finance was known to be in conference with the leaders of the banking world in Montreal about the middle of November, and, subsequently, Mr. Fielding made a somewhat mysterious statement in the House of Commons as to arrangements which he had made to cope with the difficulties of the position. Before this is in print the promised full explanation will probably have been made in the House. Meanwhile, those who are in the secret are agreeing to say nothing, fearing, apparently, the possible effect of stating plainly that some unnamed bank or banks have been in a position of such difficulty that "Government intervention was needed to help them out."

In spite of the want of detailed information, however, the fact that the Minister has taken action which is as nearly as possible parallel to that taken under the Suspension of the Bank Act in England in 1857 is clear. The official *Canada Gazette* gives monthly a summary of the position of the Government finances, and this statement is usually published about the middle of the month. In December, however, the *Gazette* of the 14th and again that of the 21st published the circulation account for October 31st, and it was not until Parliament had been adjourned, and everybody was concerned with Christmas festivities, that, on December 28th, the *Gazette* gave the account for November 30th. This account showed that the statutory requirement in regard to the banking of the Dominion Note Issue was no longer fulfilled. It may be as well to state here what that requirement is. For all issues exceeding thirty million dollars the Finance Minister is required to hold gold equal in amount to such excess. So far as concerns the first thirty millions, three-quarters are covered by Canadian Government debentures, and the remaining quarter by gold and Canadian securities guaranteed by the Imperial Government, both as to principal and interest, the gold being required to be at least 15 per cent. of the issue, that is, when the issue is not less than thirty millions, the specie must be at least four-and-a-half millions of dollars. With this provision of reserve for note issues must be taken the provision of reserve against Government Savings Bank deposits. This is required to be not less than 10 per cent. of the deposits, but may be either gold or Canadian securities guaranteed by the Government of the

United Kingdom. Actually, the practice has been to keep, for the purpose of note and savings reserves, an amount of £400,000 of guaranteed debentures, and all the rest of the required amount, both that which *may* be guaranteed debentures, and that which *must* be gold, in gold. Ordinarily, a moderate balance, which, in 1907, did not exceed \$1,700,000 at the end of any month, in addition to the requirement, is shown.

The position of the Canadian Finance Minister is thus very different from that of the Secretary of the United States Treasury. The latter normally has, the former has not, funds in hand of amount sufficient to render important aid to banks in time of stress. But, as will be seen presently, the unfortunate example set by the banks of the United States, in looking to Government aid to relieve them of the natural consequences of lending what they should have kept in reserve, has been too much for some of our lesser banks, and for the Minister. We have yet to learn where the greater share of responsibility rests.

In the account withheld, as above stated, till the progress towards restoration of confidence in the United States had reduced the danger of arousing distrust in Canada, there appeared, as a part of the required reserve, an item, "Other securities held in trust for the Receiver-General by the Bank of Montreal, the amount being also guaranteed by the said bank." This item amounted to two millions of dollars, or only about half a million more than was needed to produce the statutory amount of backing for notes and for savings deposits. In the account for December 31st, issued in the *Gazette* of January 11th, this illegal item is expanded to \$5,115,000, and, without it, the reserve is \$4,591,759 below its statutory amount. It will, therefore, appear that the law has been broken in a way analogous to the English case of 1857, which probably served as an example to be followed. The wording of the clause cited above seems to suggest that, first two, later somewhat over five, million dollars of the specie held in the currency reserve has been deposited in one or more of the banks which found their resources insufficient to meet the demands upon them, and that they have given collateral security which has been submitted to the scrutiny of the Bank of Montreal, and in regard to which that bank has been able to give satisfactory assurances to the Government. Which banks have received assistance could only be stated on the faith of current rumour, and it is quite unnecessary to know for the purposes of this letter. The fact that a breach of the Dominion Notes Act has been judged necessary by the

Government is a remarkable evidence of the severity of the strain, and the delay in answering inquiries formally made in the House of Commons, still more the delay in making the essential facts public in the official *Gazette*, affords a striking commentary on the state of the nerves of bankers and ministers. Buried in the pages of the official paper, especially when appearing in the Christmas holidays, the item seems to have attracted no notice.

Even the later publication, showing a larger use of the extra-legal power of the executive, has remained unused for the purpose of political controversy. Perhaps the normal state of affairs will be restored before the House of Commons receives the promised explanation from the Minister.

One is tempted to ask whether so strong a measure as a breach of the law was justified by the situation, strained as it was, as will appear from what is discussed in succeeding paragraphs of this letter. As a whole, the banks increased their holdings of actual cash, specie and legal tenders, by nearly three millions during November. If we deduct the two millions secured from the Government, there would still remain about 75 millions of dollars, or about 30 per cent. of liabilities on demand (circulation and demand deposits). At the end of December, the demand liabilities had decreased ten millions from November, the actual cash held had decreased nearly two millions, and, if we deduct the Government's five millions, there would be left 70 millions, or two millions more than in December, 1906, and a figure not exceeded, except in November, 1906, until July of 1907. It hardly seems that such a position need have required help from outside the circle of banks. If such help were indeed needed from outside, have not the banks themselves, by becoming parties to the arrangement, practically set a higher level of cash reserves as the standard which the public has a right to demand of them in the future?

A part of the cause for anxiety, and for special efforts to strengthen the cash reserves of the banks, was revealed to the public on January 18th, when, for the second time in fifteen months, one of the chartered banks has been taken in charge by its colleagues and rivals in the banking business. In 1905 it was the Bank of Montreal alone to which the other banks entrusted the task of liquidating the affairs of the Ontario Bank, all the banks joining in a guarantee to divide the loss, should a loss be realised. It seemed to parallel the case of Baring Bros. and the Bank of England in 1890. On the present occasion the

twelve leading banks have agreed to divide the work of winding up the business of the Sovereign Bank among them. To each certain of the branches of the condemned institution have been assigned. Depositors found, on the morning of the 18th, that another institution had charge of the office of the Sovereign where their account was carried, and they were able to secure either cash or a deposit receipt in the bank into whose charge the branch had passed. The work of winding up the business will necessarily be slow, but the noteworthy feature is that the declaration of the decease of the Sovereign Bank was made without the slightest sign of alarm being manifested in any direction. Experience with the Ontario Bank had possibly served to enable the public to understand what was meant by finding representatives of other banks in charge of the offices of a lame member of the family of banks.

The Sovereign was a bank whose career has been short but striking. It began business in 1902, and its course, up till December, 1906, was one of continuous and rapid expansion. Its assets had, at the end of 1906, reached a total of six millions sterling (\$29,208,311). At first its capital was \$2,000,000, of which only \$1,300,000 was subscribed till it had been in operation three years. Before another year had passed, the authorised capital had been doubled, and most of it subscribed. Connections with the Dresdner Bank and with J. P. Morgan and Co. had contributed to this rapid development. But the methods employed by the General Manager to secure business did not commend themselves to the leading bankers in the Dominion, and the general belief that the business secured included much of a not very desirable character appears to be justified by the sequel. A change occurred in the aspect of the statement of assets and liabilities month by month after December, 1906. In four months, over \$4,000,000 reduction was effected in the assets, which had previously expanded without interruption. At the beginning of May, 1907, a complete change in the management was effected, a new president (chairman of directors) and a new general manager being secured, and a rigorous writing down of assets occurred, \$2,250,000, or 9 per cent. approximately, being written off by cancelling the reserve fund and writing down the capital account by \$1,000,000. Some substantial further liquidation was effected in the following three months, but the progress of affairs was blocked by the strained condition of credit in the last three months of the year. At the end of December, the aggregate assets were about £4,000,000

(\$19,218,746), or one-third less than a year before, and some 15 per cent. less than on May 31st, on which date the scaling down of old assets, effected in May, figured in the published accounts. The sudden collapse is, perhaps, the most natural sequence of so sudden a growth.

One feature of the procedure adopted, both in regard to the Ontario Bank in October, 1905, and now in the case of the Sovereign Bank, is that the arrangements for the handing over of the business into other hands have been made and put into effect by executive authority without reference to a shareholders' meeting. In the last case the fact that the Dresdner Bank and three New York associates of the Morgan firm together held 14,000 of the 30,000 shares has made the securing of the support of the majority of shares to the steps taken a matter not involving a dangerous publicity. The way in which the Bankers' Association has handled the transfer of the business of both the banks named a few lines back has reflected much credit on its organisation, and has tended to inspire confidence in the public mind.

Two other subjects will be briefly referred to in this letter. Both are connected with sudden changes in the public policy of the Dominion, changes of no little significance. The first relates to the difficulties which have arisen owing to the treatment of Japanese immigrants in British Columbia, and the attitude of the people of Vancouver towards our allies, and also towards our fellow subjects, the Hindoos. The arrival of considerable numbers, both of Japanese and of Hindoos, has stirred up a noisy, and perhaps deep, race-antagonism. As it appears that the chief responsibility for the influx rests with certain companies which sought supplies of cheap and docile labour, and with an organisation created to supply that demand, and as the Japanese Government has expressed a readiness to restrain the volume of the movement from Japan, the problem of exclusion was reduced to one in which Japanese from the Hawaiian islands and Hindoos from Chinese ports were mainly concerned. Their cases have been met by instructions authorising the exclusion of all immigrants proceeding to Canada otherwise than direct from the country of which they are citizens, or on through tickets thence. There appears room for doubt if the desired effect will be secured by this order, while it certainly threatens to operate so as to hinder some of the more desirable immigrants from Europe from entering the Dominion. For the moment, the latter effect is of more benefit than injury, inasmuch

as the cessation of the rapid expansion of recent years leaves many of the newly-arrived without employment. It has even been found desirable to require everyone arriving to be provided with not less than fifty dollars till the middle of February, and twenty-five dollars from that time till the end of March, after which the resumption of agricultural operations with the disappearance of the winter snows will once more provide means of remunerative employment for newcomers. This money test is necessary to prevent the arrival of numerous persons who might become dependent on private charity or public relief almost from the day of their landing. Montreal, being the gateway of the Dominion, has an exceptional number of workless—and not a few worthless—newcomers, and the absence of any public relief fund supported by taxation results in a very heavy strain on the resources of the Charity Organisation Society and other relief agencies supported by private subscriptions. Not the least remarkable outcome of the financial stringency is this *volte face* on the part of the Dominion, from anxious seeking for immigrants to a grudging admission of those who present themselves.

The growing influence of Protectionist sentiments is illustrated by the issue of an Order in Council giving notice of the restriction of the coasting trade to Canada to ships which fly the British flag after the current calendar year. Since wooden ship-building has been superseded by the use of iron and steel, foreign competition has almost driven the Canadians of the maritime provinces out of the shipping business. The interests of those whom the ships serve have failed to be adequately recognised, and, unless it should prove that the Order in Council is in conflict with our treaty obligations, as is suggested in certain quarters, the disappearance of the Norwegian ships from the coal trade of the St. Lawrence, in which they have had so large a share in recent years, will shortly be realised. Their place seems more likely to be taken by British steamers than by Canadian—using the word British here in its narrower sense. If the dominance of Scandinavian steamers in the business be interpreted in the most obvious way, a rise in freights seems by no means improbable should their exclusion be effective. Thus Canadian coal-users and coal-producers, lumbermen and others, seem likely to pay, while the creation of a Canadian ship-owning interest to occupy the field from which foreigners are to be excluded seems not the most likely result of the new policy.

A somewhat narrow view of the true commercial interests of the country, similar in spirit to this change in coasting-trade

regulations, is in evidence in the clause of the new French treaty by which the advantage of the special tariff concessions which are secured by the treaty is made conditional on direct shipment. The limitation may do something to encourage trade to Canadian ports, but it seems quite as likely to render the provisions of the treaty nugatory, especially in winter, so far as the advantage to the Canadian consumer is concerned, and in no small degree also in respect to advantages secured for Canadian export trade. While space will not permit of any detailed examination of the treaty in this letter, it may be noted that the delay in bringing into operation treaties, by which the intermediate schedule of the Canadian tariff was made effective, until most of the countries entitled to most-favoured-nation treatment had concluded tariff arrangements with Canada, which was anticipated in my last letter, seems not to have formed a part of the actual plans of ministers. Thus concessions granted to France are extended automatically to a number of other nations. The outcry from Opposition benches in the House of Commons, and in the Opposition Press, however, ignores the effect of the direct shipment clause. The trade of most of these favoured nations with Canada is at present very small, and the limitation of tariff reductions to direct shipments, or even to shipments *viâ* the United Kingdom, will serve as a considerable restraint on a rapid development of such imports.

Had not the recent financial disturbances supplied topics of greater immediate importance, other Canadian affairs would have supplied material for useful discussion. The proposed reform in legislation dealing with insurance, following in broad outlines the methods adopted in the State of New York in the recent reform there, contains a good deal of debatable matter, and useful light on the direction in which Canadian finance is developing has been shed during the inquiry on the results of which the new legislation is based. The very recent purchase, by the Government of the Province of Manitoba, of the Bell company's equipment in that province, marks a noteworthy step in the direction of Government ownership and operation of public utilities. A sentiment of considerable strength, favourable to the extension of the activities of Government in this direction seems to have grown up, especially in some parts of the Dominion. The future of this movement will be worth watching. The legislative programme presented at the opening of the Session in the new province of Alberta, too, seems inspired by a determination to restrain the creation of vested interests

inimical to the public welfare. These bald references to matters not immediately connected with the panic must be permitted to serve in place of the discussion of them which would have been proper had the available space not been necessarily devoted to more urgent matters.

A. W. FLUX

Montreal, Jan. 25th, 1908.

JAPANESE FINANCE.

I. GENERAL SURVEY.

SINCE the Treaty of peace was concluded between Japan and Russia in September, 1905, and ratified in October, 1905, many changes have taken place in Japanese finance. Let us briefly survey these changes.

1st. At the conclusion of the war Japan's credit stood so high that foreign investors readily took up her public and municipal loans and industrial shares.

2nd. The post-bellum financial programme discloses a new situation in finance to be met by the people and the Government. Among others, the capacity of the people to bear the burden, and the activity of the Government to grapple with the debt, and the establishment of a National Debt Consolidation Fund, demand our attention.

3rd. Business undertakings have rapidly developed, and the consequent demand for capital for these new enterprises, and also for the extension of existing businesses, has been calculated at about 1,700 million yen.

4th. Foreign trade has made an unprecedented advance, and the increase is more marked in exports.

We will now deal with these and other points of importance in greater detail.

II. FOREIGN CAPITAL.

As was stated above, foreign war loans were issued three times with great success.¹ To meet further necessary war expenses, a fourth loan was issued in London, New York, and in Germany in July, 1905. The conditions were as follows:—The total amount of the loan was £30,000,000, the interest $4\frac{1}{2}$ per cent., the price of issue 90, secured by the tobacco monopoly profits, the term of repayment being 20 years. The result

¹ See *ECONOMIC JOURNAL*, March and June, 1905.

of flotation was unexpectedly successful, being ten times over-subscribed in London and Germany, and five times in the United States of America.

After the treaty of peace, the Japanese Government was busy in framing the post-bellum financial measures. First of all, the consolidation of the war loan was the most urgent, and it led to the fifth issue of the foreign loan in November, 1905. The object of this loan was to consolidate 200,000,000 yen of 6 per cent. Exchequer Bonds. The flotation was rather difficult because the money markets abroad were more strained. The conditions of this loan were as follows :—The total amount was £25,000,000, the interest 4 per cent., the price of issue 90, and no special fund was attached as security. This issue also met with success, the amount being largely over-subscribed.

In March, 1907, a sixth foreign loan was issued in London and Paris. The object was to convert £22,000,000 of 6 per cent. Pound Sterling Bonds of first and second Series. The conditions were as follows :—The total amount was £23,000,000, the interest 5 per cent., issue price $99\frac{1}{2}$ per 100, term 40 years, and no security. The issue went well, in spite of the depressed state of the foreign markets.

As for municipal loans, in July, 1906, Tokyo City entrusted the Industrial Bank of Japan with the issue of a loan of £1,500,000 in London, the conditions being :—Price of issue 100, interest 5 per cent., term 30 years, of which first 10 years unredeemable, and first charge on special revenue of the city.

Soon after the issue of the Tokyo City loan, in August, 1906, Yokohama City contracted with Messrs. Samuel Samuel and Co. for the issue of a loan amounting to £317,000 on the same conditions as that of the Tokyo City loan, except in the issue price, which in this case was 99 per 100. For some unavoidable cause the loan was not issued in London and other foreign markets until February, 1907.

As for private companies, the debentures of the Hokkaido Tanko Railway Co. and the Kwansai Railway Co., as well as the shares of the Industrial Bank of Japan, are the most conspicuous.

After the restoration of peace the Hokkaido Tanko Railway Co. negotiated with the Chartered Bank of India, Australia, and China and the Kwansai Railway Co. with Messrs. Samuel Samuel and Co. for sums amounting to £1,000,000 in each case. The conditions were : the former with interest at 5 per cent. and term of fifteen years on the security of the Company's property and the net receipt of the Company $92\frac{3}{4}$ per 100 ; and the latter

with interest at $4\frac{1}{2}$ per cent. and term of twenty years on the security of the Company's property and the net receipt of the Company 92 per 100.

As for the shares of the Industrial Bank of Japan, Baron Takahashi signed an agreement with Messrs. Panmure Gordon and Co. on October 23rd, 1905, and, as a consequence, in March, 1906, 150,000 shares of 50 yen each of the Bank were issued, and were taken by well-known firms in Europe and America.

In July, 1907, the South Manchurian Railway Company's debentures to the amount of £4,000,000 were taken over by the Industrial Bank of Japan and issued in London. Regardless of the dulness of the market, the issue went far better than other flotations, much to the credit of those concerned, viz., Parr's Bank, Ltd., the Hongkong and Shanghai Banking Corporation, the Yokohama Specie Bank, and Messrs. Panmure Gordon and Co.

III. POST-BELLUM FINANCE.

As above mentioned, the war finance went on smoothly,¹ but how the post-bellum finance was to be carried on was a matter of greater anxiety. Luckily, the first post-bellum fiscal year passed off well, and the same is expected of the second fiscal year.

The Budget for 1907-8 was presented to the Imperial Diet at its twenty-third Session. The Financial Bill passed the Diet with small reduction. The general gist of the Budget compared with the Budget for two preceding fiscal years is as follows:—

	REVENUE.		
	1905—1906. Yen.	1906—1907. Yen.	1907—1908. Yen.
Ordinary	371,067,493	392,532,477	424,447,221
Extraordinary	8,728,496	102,172,230	182,945,897
Total	379,795,989	494,704,707	611,393,118
	EXPENDITURE. ²		
	1905—1906.	1906—1907.	1907—1908.
Ordinary	176,496,200	352,570,877	408,154,163
Extraordinary	231,756,873	139,111,764	199,238,955
Total	408,253,073	491,682,641	611,393,118

It is not necessary to say that the Budget for 1906-7, the first post-bellum fiscal year, is of a temporary nature. It has, therefore, nothing very remarkable except the National Debt Consolidation Fund. It was estimated that the grand total of loans would be about 2,500 million yen. With a view of re-

¹ See ECONOMIC JOURNAL, September, 1905.

² School expenditures are included in the Additional Budget for 1907-1908. Hence, for convenience of comparison, those in the Budgets for two preceding years are excluded.

adjusting and redeeming the National Debt, the Fund was established in the Budget for 1906-7.

The annual amount of that portion of the money to be transferred from the general account, which relates to national loans issued to meet the expenditure connected with the war with Russia, is not to be less than 110 million yen.

This scheme will keep up the credit of Japan and gradually diminish her debts. Moreover, in the Budget for 1907-8 the greatest stress is laid on the development of the national economy. The Government took care not to increase existing taxes or to impose new ones, nor has it raised public loans other than for the enterprises to be considered economically productive, trying at the same time to curtail expenditure. Temporary measures taken in the preceding year were put in proper order, and the war taxes were made permanent.

The details of the Budget for 1907-8 and the comparison with the preceding years are given below.

Taxes.	REVENUE.		
	Ordinary Revenue.		
	1905-1906. Yen.	1906-1907. * Yen.	1907-1908. Yen.
Land Tax	82,284,112	85,632,438	85,632,892
Income Tax	18,385,886	21,837,334	23,235,402
Business Tax	18,153,478	19,370,575	19,626,926
Sake Tax	63,099,780	59,170,851	65,450,336
Soy Tax	5,149,768	5,318,576	3,936,005
Sugar Tax	16,457,364	16,755,769	11,120,616
Consumption Tax on Wool- lens	2,183,602	3,260,333	15,824,854
Medicines Selling Tax	215,487	197,449	195,623
Mining Tax	2,320,810	1,443,456	1,714,203
Exchanges Tax	1,848,271	1,235,075	1,975,502
Convertible Notes Tax	997,202	996,190	1,056,938
Tonnage Duties	393,038	427,095	477,986
Customs Duties	23,981,013	31,787,165	36,179,719
Communication Tax	3,183,180	2,120,992	2,211,868
Succession Duties	4,309,596	2,426,434	1,243,857
Total	242,967,587	251,980,332	269,882,227
Stamp Duties	29,504,048	27,408,831	17,923,429
Public Undertakings and State Property, Post and Telegraph Services	25,712,310	30,459,491	34,310,230
Forest	3,165,999	4,971,454	7,559,939
Salt Monopoly	16,239,667	26,274,831	27,366,523
Tobacco Monopoly	32,011,072	30,289,089	30,699,965
Railways	9,581,743	10,146,112	23,746,340
Other Revenue	3,641,769	2,558,960	2,787,122
Total	90,352,560	104,699,937	126,470,119
Interest on Deposits	4,290,833	3,911,516	5,118,150
Transferred from Sinking Fund of Formosan Public Works Loan	1,742,595	2,044,321	2,411,446
Miscellaneous	2,209,870	2,487,540	2,186,487
Ordinary Revenue Total...	371,067,493	392,532,477	428,991,858

Extraordinary Revenue.

	1905—1906. Yen.	1906—1907. Yen.	1907—1908. Yen.
Sale of State Property	745,503	14,247,405	2,518,669
Contribution from Prefec- tures	833,308	792,998	2,204,764
Paid in from Harbours' Construction	—	—	1,500,000
Contribution for Japanese Grand Exhibition	—	—	1,000,000
Chinese Indemnity	3,066,636	2,048,395	2,048,395
Loans Floated	—	79,843,242	31,256,180
Forestry Fund Transferred.	550,967	2,151,934	2,460,700
Warship and Torpedo Craft Fund Transferred	—	—	10,939,586
Contribution for School Establishment.....	—	—	298,500
Short Loans.....	1,600,000	—	2,000,000
Carried over from preceding year	1,405,319	1,768,261	29,987,444
Surplus of Special Account for Extraordinary War Expenses Transferred ...	—	—	100,000,000
Other miscellaneous Re- venue	454,416	819,995	731,659
Paid in from Yokohama Harbour Construction ...	—	500,000	—
Indemnity	72,347	—	—
Extraordinary Revenue Total	8,728,496	102,172,230	186,945,897
Grand Total.....	379,795,989	494,704,707	606,937,755

EXPENDITURE.

Ordinary Expenditure.

	1905—1906. Yen.	1906—1907. Yen.	1907—1908. Yen.
Imperial Household	3,000,000	3,000,000	3,000,000
Foreign Affairs	2,338,463	2,723,087	3,260,312
Home Affairs	9,400,274	9,815,043	10,215,683
Finance	62,796,030	219,468,386	266,166,823
War	39,495,746	50,460,384	53,663,788
Navy	23,955,265	28,914,073	33,414,695
Justice	10,178,694	10,262,911	10,716,131
Education	1,917,450	1,978,285	2,034,985
Agriculture and Commerce	2,801,506	3,926,289	5,604,342
Communications.....	20,612,772	22,022,419	24,077,404
Total	176,496,200	352,570,877	412,154,163

Extraordinary Expenditure.

Foreign Affairs	25,625	389,320	495,240
Home Affairs	3,219,481	5,761,692	12,164,936
Finance	204,806,138	86,180,576	12,687,882
War	1,019,727	1,676,742	57,958,380
Navy	11,497,960	10,613,854	49,067,524
Justice	66,221	628,037	605,485
Education	519,311	1,693,837	1,381,156
Agriculture and Commerce	3,731,855	8,758,974	14,087,923
Communications	6,871,555	23,408,732	50,325,770
Total.....	231,756,873	139,111,764	198,769,296
Grand Total	408,253,073	491,682,641	606,923,459

At first sight, the Budget for 1907-8 shows a great increase. But the increase is due to the fact that items of expenditure, which were regarded as temporary in the Budget of the preceding year, have taken their proper place and become adjusted. Moreover, the very large items of the income and expenditure resulting from the purchase of railways are included.

As for taxation (Stamp Duty included), it shows an increase of 15,400,000 yen in two years. But this increase, being caused by the natural growth in prosperity and not by any increase in the rate of taxes, fairly indicates that the burden of the taxes on the people is not heavier than can be borne by those whose standard of living is steadily rising.

A word must be added about the nationalisation of railways. A Railway Nationalisation Bill (including the railways of seventeen companies) and a Bill for purchasing the Seoul-Fusan Railway were presented to and agreed upon by the Imperial Diet at its twenty-second Session. It was promulgated in the *Official Gazette* of March 31st, 1906, and by October, 1907, the purchases were nearly completed, making total mileage of State railways 4,442 miles, and that of private companies 445 miles. Other important railways are to be purchased in ten years from 1906.

The total amount of the supplementary Budget for 1907-8 is 8,596,390 yen. The details are given below.

REVENUE.	
<i>Ordinary</i> —	Yen.
Public Undertakings and State Property	4,084
<i>Extraordinary</i> —	
Carried over from preceding year	8,592,306
Grand Total.....	8,596,390
EXPENDITURE.	
<i>Ordinary</i> —	
Home Affairs	7,667
Justice	123,847
Education	3,993,639
Total	4,125,153
<i>Extraordinary</i> —	
Foreign Affairs.....	3,200,000
Home Affairs	629,406
Justice	155,860
Communication ..	485,971
Total	4,471,237
Grand Total...	8,596,390

IV. EXPANSION OF BUSINESS.

After the war commercial and industrial expansion ensued, as is clear from the following figures, showing the capital used in new enterprises and in the development of existing ones from July, 1905, to August, 1907.

	New Enterprises. Yen.	Increase of Capital. Yen.	Total. Yen.
Banks	39,770,000	91,613,850	131,383,850
Cotton spinning	37,603,000	50,155,430	87,758,430
Electric works	130,560,000	36,710,000	167,270,000
Mining works	79,520,000	20,650,000	100,170,000
Marine products	31,225,000	1,760,000	32,985,000
Railway and electric tram- ways	340,104,000	114,209,800	454,313,800
Manufactures	364,831,800	115,797,000	480,628,800
Shipping	42,450,000	8,400,000	50,850,000
Insurance	37,100,000	19,850,000	56,950,000
Commercial and others	135,125,000	54,953,150	190,078,150
Total	1,238,288,800	514,099,230	1,752,388,030

Between the end of 1906 and the middle of 1907 so strong was the spirit of enterprise that over-speculation resulted.

The Japanese Government, in its desire to avert any danger threatened by this over-speculation, consulted the Bank of Japan, the Industrial Bank of Japan, and the Hypothec Bank on the subject. Mr. Soyeda, as the president of the Industrial Bank of Japan, reported:—"So far great care has been exercised in various undertakings, and they do not appear to be of a speculative nature to any considerable extent. But there is no guarantee that no unreliable or unnecessary enterprises will be projected hereafter. However, should all new enterprises be forbidden for that reason? That would certainly not be the way to bear the burdens the war has bequeathed. Hence the course to be followed should be to distinguish those enterprises deemed reliable and profitable from others which cannot be so classed, and, on the other hand, to attach importance to promoting and improving fuller development of the undertakings already established. Now the grave duty and privilege of making the above distinction should properly fall on the suppliers of funds—the bankers."

Things took the turn Mr. Soyeda desired, and as most of the leading bankers exercised great caution and took most prudent steps, failures and collapses generally were avoided, although some failures took place among a few brokers and small banks.

V. FOREIGN TRADE.

The rapid increase in the bulk of trade is clear from the figures given below:—

Years.	Exports. Yen.	Imports. Yen.	Total. Yen.
1903	289,502,442	317,135,518	606,637,960
1904	319,260,896	371,360,738	690,621,634
1905	321,533,610	488,538,017	810,071,627
1906	423,754,892	418,784,108	842,539,000

In 1905 there was an excess of imports over exports amounting to 167 million yen. But in 1906 we have an excess of exports over imports. Further, the imports for 1906 show a great decrease compared with the previous year, while the exports show a far greater increase. The decrease of imports no doubt is due to diminished purchase of military and naval materials.

Why the exports for 1906 are 102 million yen more than that of the previous year is explained by the great increase in silk, copper, and cotton goods.

VI. CONCLUSION.

Judging from the above, the after effect of the war on the whole of Japanese finance is not only slight but also encouraging. If we seek out anything which requires careful attention, it is the increase of currency.

To be fair, it is hard to expect to have everything smooth after such an expensive war, and it is rather remarkable that the country which carried through a war of such magnitude is steadily and skilfully building up its economic position.

Japan, in truth, fought a life and death struggle for the peace of the Far East. Had she failed, it is not at all difficult to imagine the dangers which might have overtaken the peace and, therefore, the commerce of the Far East. It is only right that nations whose interest is for peace and commerce should show some sympathy, if not gratitude, to Japan, rather than misunderstand her peaceful intentions or be misled by groundless fears and hostile insinuations.

J. SOYEDA

SWEATED INDUSTRIES AND WAGES BOARDS.

A MIXTURE of unnecessary despair and illogical fatalism seems to be driving a considerable number of our British legislators into attempting a new kind of factory legislation which, if it is not the success that they imagine, may do immense harm to some of our most helpless fellow-citizens. On the surface the arguments used in favour of this new legislation are all that is kind and well-meaning towards these poor victims. The hardships of the sweated home workers are vividly portrayed; the indisputable fact that one of the chief of these hardships is the lowness of their earnings is made clear; and then the fairy god-mother remedy is introduced. Let the law say that better wages

are to be paid, and all the good people will have it their own way—the Prince, in the shape of the good employer who wants to pay high wages, but has wicked competitors who beat him down; poor patient, drudging Cinderella in the shape of the sweated worker; the general public which amiably desires everybody to be happy and pleased. The spiteful step-sisters, in the shape of the greedy, heartless employers or middlemen, will be the only ones not gratified.

If one ventures to suggest difficulties and to wonder whether wages boards will prove a real fairy godmother, one is put down as old-fashioned and faithless. "You are using just the same arguments as have always been used against reforming ideas—people have said that every Factory Act would be impracticable until it was passed—yet we have overcome the difficulties foreshadowed, and immense good has resulted. This is only the next development in the path of progress." And then the fatalistic argument is further amplified. We are reminded that sanitation and hours and child labour have been regulated more and more completely by Acts of Parliament; that even in this country such Acts have already touched wages in our Truck Laws, and our Particulars clauses, whilst in New Zealand and Australia wages regulation has gone almost hand-in-hand with the regulation of hours and sanitation. We are swept to the conclusion that anyone who believes in the benefit of existing factory laws here must naturally help to fulfil the historical sequence by agitating for machinery to fix and enforce a legal minimum wage. This is to apply, to begin with, to the trades whose workers are least able to organise and help themselves, namely, some of the clothing trades where home workers, and especially women home workers, abound. Here, again, analogy comes into play to silence doubts, for have we not advocated limitation of hours and other special protection for women workers because they are less able than men to organise and stand out for good conditions for themselves, and can it not be triumphantly demonstrated that such protection has raised the conditions and not hampered female labour?

Yet, before we enter upon this new path, it is worth while to ask whether it does lead straight on from the paths already successfully followed. Is there nothing about wages which makes their regulation quite a different matter from the regulation of sanitary conditions and hours of work? Is it quite certain that New Zealand and Australia have accomplished by legal regulation of wages what we want to accomplish? Is it also

certain that what is practicable in Australasia is practicable here? Finally, if we are not satisfied on these points, shall we still take refuge in wages boards legislation as a counsel of despair, because our consciences are restless with regard to our sweated workers, and because, at any rate, wages boards will give us something active and positive to *do*! Or, as I have heard social reformers seriously argue, must we not try them in order to prove that they would be a failure before we can successfully urge upon a timid public more radical changes in industrial organisation?

In dealing with the first point, as to whether there are fundamental differences between wages regulation and regulation of other conditions of work which render analogy between the two futile, I propose to limit myself to the immediately practical question as to whether a legal wage can be enforced like a standard of sanitation. And here we are brought face to face with the fact that an inspector can judge of the sanitary standard of a work-place by his own senses—by sight, smell and measurement—and can enforce improvement irrespective of the co-operation of either worker or employer. With regard to hours, too, the inspector's watch and word form sufficient evidence to incriminate the law-breakers, if he finds work going on after legal hours.¹ But the inspector cannot tell what wages have gone into the employee's pocket, and what exact work had to be done in exchange for such wage unless the worker is willing to tell. Wages books and cards of particulars are not statements sufficiently sure or detailed to go upon, and the worker can always make evasive excuses and explanations even if he draws the line at a direct mis-statement.

The supporters of wages boards brush aside these difficulties by saying that the sweated home workers will be so anxious to get better wages that the inspectors will not need to hunt out the contraventions; the workers will be only too anxious to make them known and claim the higher legal scale. This is very plausible, but unless the individual workers really look upon the wages standard as a benefit to themselves, they will not claim its protection as a friend. Much of the worst paid home work is uneconomical and could be done quicker and better by

¹ I may point out, however, that evidence of illegal over-work often breaks down at the last minute if the inspector is trusting to the workers themselves to bear out statements made by him; fear of their employer confuses them or silences them when they are asked to publicly witness against him. Also it has never been found possible to regulate hours amongst home-workers, so this step in the progress of State protection is already missed, and legal limitation of child labour is at present practically a dead letter in home industries.

machinery or in a factory. Its cheapness and its availability in times of extra pressure of work are its recommendations to the employer; sometimes, indeed, the less selfish disinclination to take work from needy human beings to give it to machines, weighs with him. One of the arguments used in favour of wages boards is that by making such cheap bad labour illegal, they would give the necessary stimulus for decreasing home work and increasing factory work and machinery. From the point of view of the community this is good, but the individual home workers would rather have low wages than none at all.

The promoters of wages boards cannot have it both ways. If workers are to lose their work they will regard the law as an enemy, and will put all obstacles in the way of the inspector. Even an army of inspectors will find it difficult to visit all the home workers in the trades scheduled under the Bill. In Victoria there are sixteen factory inspectors, and the number of people affected by wages boards is, roughly, about equal to the factory and workshop population of one of our comparatively smaller industrial towns, such as Leicester. In Victoria, too, the home work evil was attacked before it had got such a wide hold as it has here, and, partly no doubt as the result of wages boards, partly as the result of other stringent factory laws, the proportion of home workers is much smaller than in the old country. Twenty people in a factory take much less time to inspect than twenty home workers scattered in back streets. Yet the sixteen inspectors complain that they cannot overtake their work. Even if the British Government were to multiply its inadequate staff of inspectors, so as to make possible fairly frequent visits to the great majority of the 200,000 tailors and tailoresses, 180,000 dressmakers, and 70,000 shirtmakers and seamstresses returned in the 1901 census as working for employers, they could not enforce a high-wage standard amongst unwilling workers.

For home workers a piece-work rate is essential. The schedules of prices would have to be most elaborate; indeed, I have not yet seen how the most indefatigable wages board can keep pace with every fashion and individual caprice in dressmaking. We may do our best to appoint expert inspectors who can judge at a glance whether the frills and furbelows on a garment correspond to those in the wages board schedule. But the worker who has been told by the employer and taught by the hard experience of fellow-workers that her work will be "organised" away from her unless she takes a low price for it, will take refuge in

endless excuses and evasions, and no inspector can prove to a magistrate in court, the final resort, that a particular price was paid for a particular piece of work if the worker does not back him up clearly and unhesitatingly. Arrears of wages, one of the chief inducements trusted to by the supporters of the Act, will be still more difficult to prove in the case of piece-workers working at home. The Chinese furniture workers in Victoria have proved to the officials there that no legal wage can be enforced if employers and employed agree to evade it. Our sweated home workers and our sweating employers and middlemen here will find evasion just as easy if they make up their minds that the continuance of their trade depends on cheap rates. There will also be the temptation to use home workers on purpose to avoid the more efficient inspection of wages books in the factories.

We have no experience in Britain of the working of a legal minimum wage amongst unorganised workers nor amongst unskilled home workers. The elaborate schedules which Mr. Askwith has helped so successfully to draw up for voluntary conciliation boards in various trades are backed up by well-organised trade unionists, to whom the higher wage does not mean loss of work. But the more I try to think out the actual working of such a minimum amongst home workers as I know them, the less possibility do I see for a sufficiently universal application of the law to make it more of a gain than a loss, in the trades which it is supposed to benefit. No law is perfectly enforced, but there may come a point where the evasions out-balance the recognition, and then the law is worse than a dead letter.

I have, as I promised, limited myself to a small field of speculation. If I am wrong, and the law is at all workable amongst sweated home workers, we come upon other problems, all suggested by Australasian experience, but all needing to be answered in relation to English conditions. The increase in wages in these very clothing trades in Victoria has averaged only a few pence for a full week's work after years of increasingly good trade, and has been accompanied by increased employment of young persons and increased irregularity for adults. In our country the enormous expense of wages boards members and of inspectors might mount up to more than the increase of wages they secured, which would be, to say the least of it, a clumsy way of doing things.

Then, if wages are nominally increased, does it necessarily mean that the workers are richer? That depends upon where

the extra pay comes from, and this problem can produce volumes of argument. If the extra money is saved by better organisation, well and good; if it comes out of the pockets of the over-rich, well and good again; if it comes out of the increased price of commodities the workers may be worse off than before. In Australasia, a legal minimum wage has been accepted by the workers partly as a set-off against protective tariffs demanded by the employers; and every week in letters and newspapers from the other side of the world I have increasing proof that the workers are beginning to see that they have not got the best of the bargain.

Finally, the remedy to be aimed at for some of the worst suffering in sweated home industries is not higher wages at all, but less need to work. Old people, infirm people, children, ought not to be in the industrial market at all, whatever their wages. The same applies to mothers of young families, whose husbands are dead, or sick, or out of work. The problems they raise must be attacked not through wages boards, but through such measures as old-age pensions, maintenance of necessitous children, and provision of work for the unemployed. Wages boards will, I fear, take away the crust from some of these victims, and force others into secrecy and deceit, and thus, instead of proving a fairy godmother to those most needing help, will be a wicked stepmother.

MARGARET E. MACDONALD

RECENT OFFICIAL PAPERS.

The Report of the Departmental Committee appointed to inquire into the Accounts of Local Authorities (Vol. i., *Report*, Cd. 3614, 101, xxv. pp., 1s. 1d.; Vol. ii., *Evidence*, Cd. 3615, iii., 316 pp., 2s. 7d.) must be somewhat of a disappointment to those who object not to the form of local authorities' accounts, but to the nature of the transactions recorded. The Committee was not appointed to investigate the financial transactions, but to inquire and report on "(1) the systems on which the accounts of local authorities in England and Wales are at present kept; (2) generally as to the system on which the accounts of the various local authorities in England and Wales should be kept, and in particular whether such accounts should be prepared on a system requiring the entries of receipts and payments to be confined as far as possible to actual receipts and payments or not; and (3)

the regulations which should be made on the subject, regard being had to the necessity of showing accurately the amounts raised by local taxation and the purposes for which they are applied."

The Committee devoted a great deal of attention to a number of technical questions relating to the prevention of defalcations and the presentation of accounts, but most of its time was given to the larger question specifically put in the reference: whether accounts should be on a cash basis, recording sums of money actually received and paid in a given period, or on an "income and expenditure basis, recording all incomings and outgoings pertaining to that period, whether actually received and disbursed or not." It is curious that the English language should be so deficient in nomenclature for systems which have long been known in France as *gestion* and *exercice* that Acts of Parliament have been passed in which ambiguous terms have been used which might mean either system. Regulation appears to have favoured *gestion* or cash accounts, while practice, so far as regulation permits, has adopted *exercice* or income and expenditure accounts. The Committee decide in favour of the income and expenditure system, and recommend its adoption in all regulations issued by the Local Government Board.

The British national accounts are kept on the cash system, and orthodox opinion among writers on finance has favoured that system for all national accounts. Everyone knows the story of how the French accounts were kept on the *exercice* system, and how in consequence at the Revolution the accounts of some of the years of Louis XIV. were found to be still unclosed. We all know, on the other hand, how the accounts of the British Exchequer for the year ending March 31st are ready on April 1st, and the accounts of the departments a few months later. Now comes this Committee, and, after taking a large quantity of evidence almost entirely hostile to the cash system, condemns it root and branch, so far, at any rate, as local authorities are concerned. National accounts are not referred to at all, but the arguments used seem to apply to them just as much as to local accounts, and future writers on public finance will do well to take note of them. The objections to a cash system which weigh with the Committee are as follows:—(1) It does not allow properly for variations in the amount of stores in stock; (2) it enables a weak or ill-disposed authority to put off the evil day of raising rates by postponing the actual payment of accounts. These objections seem to be directly applicable to national finance; the only question is whether they do not apply with even greater force, owing

to the greater prevalence of party spirit in national affairs, and the consequent greater temptation to throw the odium of taxes on to the successors of the Government in power.

To those who raise the difficulty of prompt closing of the accounts, the Committee reply that in practice authorities have found it easy enough to close within a few months.

A point discussed by the Committee, more curious and interesting from the point of view of the economic theorist than practically important, was the treatment of capital assets. To attempt to put a value in money on all the assets of a local authority would be ridiculous. It is ridiculous enough for the national accounts to exhibit, as they do, a fluctuating figure each year for the value of the national leasehold interest in the Suez Canal, but it would be still more ridiculous for a local authority to value its streets or even its parks. Some authorities seem to have a desire to value their so-called remunerative undertakings, but this also is seen to be absurd when it is remembered that the value of such undertakings is relative to the charges made, and that a system of valuation would represent a town which charges more for water than another as having, in consequence of that fact alone, larger capital assets. So the Committee decide in favour of cost prices, which, they say, makes the balance sheet a correct "historical record of the actual cost of the assets." But they qualify this decision by applying it only to "assets having an abiding or realisable value." Expenditure "upon works such as street improvements, paving, or sewers, or for such matters as the promotion of Bills in Parliament or compensations, the cost of which has to be borne by the rates over a sanctioned number of years, and may therefore be described as Deferred Expenditure," they regard as not producing abiding or realisable assets; so that "the indefinite retention of the original costs of such items would be misleading and without compensating advantage." Therefore in respect of these items the Committee propose that not the original cost, but only the outstanding amounts of the loans should be stated. Here they seem scarcely to have grasped the fact that the presentation each year of a sum representing the total capital expended is of little or no use except in cases where some calculation of profit upon that capital is to be made. The fact that a park cost £20,000 fifty years ago is of no present importance, because there is no suggestion that the people who use the park should pay interest on the £20,000 to the ratepayers; the fact that a gasworks cost £100,000 fifty years ago is of present importance, because it is, or may be, thought that the gas consumers of the

present should pay interest on that sum to the ratepayers. Hence the distinction between the cases where the original capital expended should appear and those where it is unnecessary would more properly be drawn between the "trading" and "non-trading" departments than where the Committee draw it.

It is on the last head of their reference that the Committee's report is least satisfactory. They do not seem to have grasped the fact that it is impossible to show "accurately the amounts raised by local taxation and the purposes to which they are applied" so long as the law maintains the present confused system of payments from the exchequer to the local authorities and from various local authorities to each other. Under the present law it is absolutely impossible that the accounts of a county borough "should be published in such a form as to be intelligible to ratepayers possessed of average ability but without (or even with) special knowledge of accountancy." The maintenance of separate borough and general district funds, the absurd maze of payments back and forwards between the borough and the poor law unions, and the complications introduced by the gratuitous addition in 1888 of an "exchequer contribution account" prevent any person not highly trained for this particular purpose from understanding what is really going on, and make any statement on the rate demand notes of the amounts required for particular purposes entirely misleading.

E. CANNAN

Report on Rules of Voluntary Conciliation and Arbitration Boards and Joint Committees. Board of Trade (Labour Department), 1907. 1s. 4d.

THIS interesting Report, published at an opportune moment by the Labour Department of the Board of Trade, is deserving of close attention. It presents in a compact, convenient shape an authoritative conspectus of the systematic arrangements now made by voluntary initiative for the preservation of industrial peace. It would not be easy to over-estimate the beneficial results which have attended the sensible policy embodied in the solid facts set forth on these pages. Its range is large and its application varied. In his introductory letter Mr. Wilson Fox says that it "is estimated that more than 1,250,000 workpeople are covered by the operations of all the conciliatory agencies now in existence"; and in the Report itself we are informed that "at the present time there are

Boards of Conciliation in all the principal coalfields of Great Britain." The smooth conduct of industry must have been greatly facilitated by this admirable system ; and the long and wide experience of such arrangements constitutes a very material advantage which Great Britain happily enjoys in its present rivalry for the trade and industry of the world compared with other countries where such pacific organisation is either wholly unfamiliar, or has scarcely passed the initial stage of struggling infancy.

The most significant circumstance, perhaps, which this Report brings into a relief not evident before, is the immense variety of detailed regulation which has been found compatible with the broad recognition of certain general principles in the actual practice of conciliatory methods. In this department of industrial life, as elsewhere, the characteristic traits of Englishmen have been disclosed. An experimental method has been used by them with conspicuous success ; and voluntary effort has thus been able to avoid the inconvenience, which legislation could with difficulty escape, of an unsuitable and unwelcome uniformity. It has sought successfully to adapt its treatment to the circumstances in turn of each case or class of cases. No one who studies with care the rules of these various boards can, we think, fail to be struck by the large quantity of good sense which has been brought to bear on their construction. And the gratifying consequences which have followed indisputably the development of the system, we feel tolerably sure, have been due to the constant application possible in the elastic operation of these rules of a wise tolerance and an equitable candour to disputed issues. The most likely occasions for irritating friction have been sedulously removed ; and, if in some instances the larger questions cannot be definitively settled by pacific means, a machinery has been devised, and brought gradually to more complete perfection, for adjusting without open strife a number of vexatious smaller differences. The Report states, for example, with appropriate truth, that the "efficacy of a Board as an instrument" for arranging quarrels "depends to a considerable extent on the machinery provided for the settlement of cases referred to it, and especially on the provision or otherwise of an escape from a deadlock"; but it proceeds to add that the "importance of other matters than the machinery provided by the rules should be borne in mind, such as the personality of the members and the authority of the Board. Thus a Board whose rules provide no outlet in the event of the two sides failing to agree may in practice accomplish much useful work, if the members are trusted by those

whom they represent, and are in their personal character suitable for the work of conciliation."

These pertinent observations may be quoted as an apt indication of the most potent causes of the great success which has attended such conciliatory agencies in this country. It is the spirit in which the arrangements have been devised and carried into practice, no less than the arrangements themselves, that has been the dominating factor. That spirit has been seen in a sensible resolve to achieve a practical result by mutual "give and take"; and it has shown its influence in the original framing and the subsequent adaptation of the actual machinery employed. Thus we are not surprised to learn that of the 178 Boards covered by the rules printed in this Report, the 96 which have complete automatic methods for dealing with disputes include the majority of the important Boards in the main industries of the country. Of the 818,000 workpeople covered by the Boards in the mining and metal industries, for instance, 703,000 are accounted for by Boards comprised in this high class. Yet we are also not surprised to learn that these 96 Boards themselves exhibit great variations in their procedure. The particular stage at which external intervention to avoid a deadlock is invoked differs in different industries; the character of that intervention takes various forms and is assigned varying degrees of influence; and in many instances provisions are expressly made for equality of voting power between employers and employed, although an equal number of representatives may not be present on both sides. The problem indeed of the final means of settling a dispute, when all the preliminary steps which can be taken have proved ineffectual, has always been a crucial question in the history of voluntary conciliation; and the fact that 96 of the 178 Boards now possess complete automatic methods affords conclusive proof of the great advance which has been made towards industrial peace.

But a further illustration, hardly less remarkable, of the notable progress which has been accomplished is also furnished in this Report. In certain industries, within recent years, a form of industrial dispute has been prominent which was specially difficult to adjust. Such awkward and obstinate quarrels were known as "demarcation" questions, and the matter at issue was the assignment of particular work, which had been changed in character by some alteration of industrial methods, to one of two or more classes of workmen who claimed it for their own. We learn from this Report that the special shape, which conciliation has commonly

assumed in those engineering and shipbuilding trades where this particular variety of dispute has recently prevailed, has been the formation of voluntary Boards for dealing with the "demarcation" of work between different sections of workpeople. Thus the new demand has called forth the fresh supply; and it has been found possible to meet and overcome a formidable obstacle by an adaptation of the mechanism used to the circumstances of the case. The existence, similarly, in the coal trade of standard rates of wages, to which a certain selling-price is understood to bear a proportionate relation, within agreed maximum and minimum limits; the continued prevalence in the iron and steel trades of the more systematic recognition of this general principle in the shape of sliding scales; the complete provision made for the arrangement of minor differences by the Brooklands agreement in the cotton industry; and the numerous local Boards erected during recent years in the building trades, exhibit effectively the elasticity of which the principle of conciliation is capable; and they disclose the great advantage of the tentative methods which voluntary action encourages or allows.

An interesting experiment has been lately added to those comprised in this Report by the settlement arranged between the railway companies and their employees by the President of the Board of Trade. In some respects the scheme propounded is a "new departure"; and perhaps it is more likely to succeed on that account. To an external spectator it may appear that the compromise effected has favoured the main contentions of the directors more decisively than the avowed aspirations of the men. For no place has been reserved expressly for the Amalgamated Society of Railway Servants, or for any other trade union of railway employees; and, until the final stage of arbitration by an outside arbitrator has been reached, there seems to be no special reason why the representatives of the men in the conciliatory negotiations should be the members of trade unions. The reverse, perhaps, is probable. They can hardly by any possibility coincide with the officials of the Society, for the actual employees of the companies alone are eligible. Each railway company, moreover, is to deal directly with its own employees; in the first instance, existing machinery for redressing grievances is to be invoked; and questions of discipline are not contemplated as falling within the jurisdiction of the new conciliatory Boards. These arrangements may be necessitated by the circumstances of the case; but they are a "new departure," for in most previous instances of systematic methods for preventing breaches of the

industrial peace the accredited representatives of the men at every stage of the negotiations have been trade unionist officials. Accordingly, in some influential quarters in the labour world the recent railway settlement has been described as a distinct setback to unionism among railway employees. It must also be remembered that hitherto the success of conciliation in other industries has been shown generally by the common avoidance of recourse to the means provided in the last resort by the preliminary use of the machinery in operation at the earlier stages. On the other hand, the definite rôle given by the railway settlement to the Board of Trade in the arrangements for the election of the members of the Conciliation Boards, and in the final adjustment of disputes, is also a fresh feature; and the semi-public character of railway undertakings may be regarded as the sufficient reason for this particular development. It is possible, however, that it may promote further movement in the same direction in other industries, besides that now immediately concerned. The action, in that case, of Mr. Lloyd George would form the commencement of a new chapter in the history of industrial conciliation. At any rate, it constitutes a significant addendum to the instructive matter contained in the Report of the Labour Department of the Board of Trade. It may fittingly take a place in the full account there given of the abundant and the varied mechanism now in operation in this country for the maintenance of industrial peace. Compared with the state of affairs existing but a quarter of a century ago, the advance achieved has been remarkable; and the Report is specially opportune because it enables such noteworthy progress to be closely observed and exactly gauged.

L. L. PRICE

Report from the Select Committee on Home Work, House of Commons, 1907—290.

THE evidence of several high authorities on women's work and wages forms the substance of this first report. It is pleasant to read that in the opinion of one so well qualified to judge as Miss Rose Squire, the conditions of home work in regard to sanitation are greatly improved in recent years, especially in London. The improvement visible is, however, mainly to be understood as affecting "structural sanitation," as, for instance, drainage, lighting, ventilation, cleanliness of walls and ceilings, paving of floors, and so forth. In regard to "domestic sanitation," or the condition in which the house is

kept by the inmates, there is no such marked improvement. Neither factory inspector nor local authorities have much power to deal with domestic uncleanness, and in many towns nothing beyond structural sanitation is enforced. It is a difficult matter, owing to the poverty of many of the workers, but in many towns where the medical officers are alive to the immense importance of cleanliness in workplaces, they have managed to effect a measure of improvement by persuasion, rather than by serving notices. It appears, indeed, that even where statutory notices are served for domestic uncleanness, no case has ever been taken to the Courts. Miss Squire thinks that the local authorities should have more power in this matter; she knows one sanitary authority that enforces floor-cleansing, itself providing the necessary soap and materials where need is great, and removing and disinfecting bedding, &c.; but it is so far exceeding its statutory powers. These points are of vital importance where the family practically lives, eats, and works in one room. It is almost impossible, in her opinion, to keep a room used for all purposes in a cleanly state, and when the mother does home work it is "utterly impossible." Poverty is the cause of much uncleanness; the poorer the worker the dirtier the house, and Miss Squire thinks if the worker were better paid a great deal of uncleanness would disappear.

Miss Squire finds that the low rate of pay characteristic of home work is mainly due to the unemployment of the men. The employment of the wife in home work follows closely the period of unemployment of her husband, and is, in most cases, a true index of the fluctuations of his work. Equally with unemployment, comes in the question of casual labour, and the low wages of men in steady work. The wives of dock or other casual labourers are employed in home work for much the same reasons as the wives of unemployed men, and these women are frequently the least skilled class of workers. If the wives of the unemployed and unskilled labourers could be withdrawn from the market and cease competing with the widows and spinsters who should be self-supporting, these last would have a chance of more regular work and less hopelessly inadequate pay. Miss Collet, who was asked whether she thought that married women working at home brought down the rates of pay because, being not entirely dependent on the work, they could afford to do it for less money, replied in the negative. She thinks this class of home workers are, on the whole, better off than the rest, and are frequently quite well-to-do people. Her researches gave the result that (in London)

of home workers 55 per cent. were married, and $18\frac{1}{2}$ per cent. were widows. Of the 55 per cent. married, those whose husbands are in regular work will not take work at low rates; they are generally rather good workers, and know the rates, and have something more useful to do than working for low rates.

There are still violations of the Truck Act, unfortunately, and these are tending to increase, owing to a recent decision of the High Court which makes it almost impossible to enforce the law. Payment in irregular ways is increasing in certain localities and among the poorest class of workers. Oppressive fines and deductions are the more serious when the original wage is extremely small, even if fully paid. At Nottingham a large number of lace manufacturers have published a list of the lowest prices paid by them. This was done in order to check the percentage taken by the middlewomen, the masters fearing a sufficient amount did not go to the workers. In point of fact the workers often do not receive their full price, owing to the farming-out of work by middlewomen. The middlewoman renders an important service in the superintendence and distribution of work, but her profit is derived solely from the difference between the sum she pays the out-worker and the sum she receives from the warehouse. It appears that the rate paid for lace-work does not admit of a double profit. The system also leads to some forms of truck; the middlewomen sometimes keep a small grocer's shop, at which the out-workers become customers, and take goods instead of cash for their work.

"Spoilt work" is a means of oppressing workers, who are often made to pay damages enormously in excess of the price they receive for work done. In some cases they are even charged the actual selling wholesale price, the employer thus making a profit out of the failure of the worker to do the work properly.

The difficulty of arriving at a just estimate of earnings is much greater in the case of home workers than in that of other earners. Miss Collet stated that piece rates tell nothing as to earnings; the very greatest diversity is to be found amongst home workers paid the same rate. On very low-class work some people earn as much as on better-class work. The principal modifying conditions are summed up by Miss Squire thus:— (1) The amount of time taken over a unit of work; (2) the amount of energy and skill required; (3) the amount to be expended in materials by the worker; (4) the time taken to fetch and carry work. In some cases work is brought to the workers' houses, which makes a vast difference compared with having to

go and fetch work, perhaps having to waste several hours in waiting for it. The difficulty of computing the earnings that can be reasonably expected from a given rate of pay is extreme, and even an experienced employer may give an erroneous opinion, which should be checked by comparison with a worker's experience.

Very few persons, comparatively, Miss Squire tells us, actually depend upon home work for a livelihood. Those who at first sight appear to do so, on further inquiry are usually found to have poor relief, pensions, or charitable help. Their remuneration could not provide their whole support. The cost of the work in these cases is not really paid by the employers, and the community has in some other way to pay part of the cost of producing these articles.

Miss Squire's evidence shows that skilled work is by no means immune from sweating. She instanced corset making as one of the worst paid industries that had come under her observation. It is skilled work, it has to be learned, and only skilled workers can do it. For common corsets, 1s. 7½d. a dozen pairs is paid; for the usual kind, 1s. 10d. to 2s. 6d. a dozen; and for the better class, 2s. 8d. to 5s. In order to earn anything at the lower rate they work at fever speed. They supply the necessary cane and cotton. The following is extracted from a worker's book:—

	s.	d.
Making 2 dozen corsets at 1s. 7½d. a dozen ...	3	3
Deduct 1½ lbs. cane, at 8d.=1s., and 2		'
reels cotton at 3d.=6d.	1	6
	<hr/>	<hr/>
	1	9
	<hr/>	<hr/>

which works out at 10½d. per dozen pairs. This worker could make two dozen pairs in three days. More is earned by factory workers, working on power-driven machines; they average 7s. to 14s. a week.

With regard to the difficult subject of wages regulation, as might be expected, a great diversity of opinion is revealed in the evidence before the Home Work Committee. Miss Clara Collet did not think the Wages Board "a possible thing" (q. 822). Miss Rose Squire, on the other hand, thought that with a Board composed of persons with sufficient knowledge and experience, it would be quite possible to draw up a scale of payment which would be capable of experiment—it would be "no more difficult than settling the wages in a factory" (q. 833). The Nottingham

attempt to fix a minimum wage (quoted above) indicates that the better class of employers desire to check unfair competition (q. 1012).

Mr. Graves (Inspector, Birmingham) thought it would be difficult to enforce awards of wages amongst home workers, unless a licensing system were first introduced; he thought the poverty of the workers would lead them to accept a wage lower than the minimum (q. 1523). Mr. Goddard (Inspector, London) was in favour of the establishment of a Wages Board, and thought it would regulate the prices for employment. He was prepared to face the incidental throwing out of work of a certain number of workers because he believed a large number would be benefited. He thought "the perpetuation of the present system means that the misery would increase with increasing years" (q. 1573-83). He thought the Particulars Clause administered in those trades to which it applied tended in some cases to regulate the price by giving greater opportunity for knowledge (q. 1585).

Miss Gertrude Tuckwell thought legislation necessary. The low pay, in her opinion, is the root of the whole question, and the long hours and bad conditions are mainly the outcome of the low pay. "When people are working for a penny an hour they must bring in their children and every available worker in order to obtain anything which makes existence possible." She supported the Wages Board Bill, which would call into existence boards for each trade, to regulate wages for work both inside and out of factories. The idea of Mr. Henderson's Bill is that those trades which have no power of regulating their own condition should be regulated by law. She thought it would not be difficult, with the help of voluntary associations, such as the Women's Trade Union League, to check evasion of the law. The evidence from Victoria shows that abuse and evasion were frequent at first, but that the determinations are now much more generally kept (q. 2515). Miss Mary MacArthur believed Wages Boards would be a valuable weapon in organising women workers; "if we raised their wages ever so little we would be enabled to organise them and so improve their general conditions" (q. 2731).

Miss Clementina Black supported the regulation of wages, and hoped to see it extended to all underpaid industries, whether men's or women's. Mr. Daly (Secretary of Tailors' Union) said he was convinced the establishment of a Wages Board with power to fix a minimum wage was the only effective method of controlling the conditions under which our industry should be

carried on. He believed the masters themselves were largely the victims of circumstances and would welcome some means of effectively checking the competition to which they are exposed. Mr. Askwith (experienced as arbitrator and umpire in labour disputes) said there would be difficulty in fixing rates of payments, but only such difficulties as a practical Wages Board could overcome (q. 3937). Mrs. Ramsay MacDonald said she was not opposed to a Wages Board or a minimum wage on principle, but believed that the difficulties of working had been under-estimated. She also thought that in Australia and New Zealand there was now less satisfaction with this working than formerly, and there were some evasions in home work (q. 4360 and ff).

B. L. HUTCHINS

Sixty-ninth Annual Report of the Registrar-General of Births, Deaths, and Marriages in England and Wales, 1906.
[C^d. 3833.]

THE marriage rate rose to 15·6 per 1,000 of the total population. The birth-rate is the lowest on record, 27·1 per 1,000 of the total population. Calculated on the married female population, the birth-rate shows a rather greater fall. The death-rate was 15·4 per 1,000, being 1·4 below the mean rate for the period 1896-1905.

Cost of Living of the Working Classes. Report of an Inquiry by the Board of Trade into Working Class Rents, Housing and Retail Prices, together with the Standard Rates of Wages prevailing in certain Occupations in the Principal Industrial Towns of the United Kingdom. [C^d. 3864.]

THE comparisons in respect of cost of living are effected by index-numbers for (1) rents, and (2) prices in different places compared with London. These two index-numbers are combined into one by assigning a "weight" four to the index-number of prices. The combined index-number is compared with an index-number for the rate of wages.

Report on the Conditions and Prospects of British Trade in New Zealand. [C^d. 3867.]

WITH reasonable vigilance and attention to the wishes of their customers, British traders should maintain and improve their position in the New Zealand market.

Report upon the Conditions and Prospects of British trade in Canada. [C^d. 3868.]

THOUGH our trade is threatened by the proximity of the United States and by the competition of Canadian manufacturers, the prospect might be improved if our manufacturers would study the requirements of Canadian customers.

Inheritance-Tax Laws. Digest of the principal Features of the Laws of Great Britain, France, and Germany, together with an Outline of Inheritance Taxation in the United States and a Collection of Judicial Decisions relating thereto. (Washington.)

Bulletin of the Bureau of Labor, No. 72, 1907. (Washington.)

DEALS with Italian, Slavic, and Hungarian immigrants, and with the economic condition of the Jews in Russia.

Report of the Commissioner of Corporations on the Petroleum Industry. Part II. Prices and Profits. (Washington.)
Annual Report of the Commissioner for 1907.

THERE has been a marked increase in the margin between the price of crude oil and the prices of its leading finished products during the last ten years. The margin is greater than it would be under free competition. The Standard Oil Company has sold in the foreign trade much cheaper than in the domestic trade. It discriminates between places, charging extortionate prices where there is no competition, and cutting prices where competition is active. Its profits are excessive. It has superior efficiency, but does not share the benefit thereof with the public.

OBITUARY.

SIR JOHN STRACHEY.

IN December, 1907, there died Sir John Strachey, then the foremost of living Anglo-Indian administrators. Having begun his Indian career in the 'forties, when that country was, from the fiscal point of view, in an altogether mediæval condition, he climbed rapidly through the lower grades of the Civil Service, and later in his career attained successively to the positions of Judicial Commissioner of the Central Provinces, Chief Commissioner of Oudh, Lieutenant-Governor of the North-West Provinces, and Financial Member of Council. To a man imbued with the theories of Mill and endowed with all the executive powers pertaining to the trusted adviser of a beneficent despotism, such a career was

fraught with tremendous opportunities, and well did John Strachey use them. If space allowed, it would be interesting to draw a parallel between the work of Turgot in France and that of Strachey in India. The resemblance is most striking. To mention only two points: as local administrators both men showed great skill, and employed very similar methods in the relief of distress caused by famine, and as Finance Ministers, Turgot freed from restraint the internal corn trade of France, whilst Strachey abolished the "salt line" in India. Strachey, however, though an ardent advocate of *laissez-aller*, was not so anxious to *laissez-faire*, and in his book (written jointly with General Sir Richard Strachey), *The Finances and Public Works of India*, recommends that the Indian Government should construct railways itself rather than entrust them to the agency of guaranteed companies. The memory of the English is short, but no doubt in many an Indian village the elders still tell of the wise and kindly "Lât Sahib" who came to help his people in their hunger. D. A. B.

CITY NOTES.

WE have received the following notes from "R. G.":

End of the American Panic.—When the last notes were written, at the end of November, the City had just been experiencing a month of 7 per cent., and although there were signs of the American panic being surmounted, and of a general easing of the monetary situation everywhere, it was too early to speculate either on the termination of the 7 per cent. period or on the passing of the American panic, which was so largely the cause of it. Happily, at the turn of the year the prospect brightened. The 7 per cent. period came to an end the first week in January, when a reduction to 6 per cent. was made, having thus lasted almost exactly two months, and a month later a reduction was made by two steps from 6 to 4 per cent., which indicates a final return to more normal conditions. The great monetary crisis of 1907 has thus come and gone, leaving many wrecks behind, but with the speculative rubbish which was hindering genuine business almost entirely cleared away, and the way prepared for a return to industrial and financial activity under better auspices.

Rise in Consols.—One of the most satisfactory indications of improved conditions has been a recovery in Consols, which fell at one time to 81, or even less, under the weight of 7 per cent., but have since recovered to 87½, the extreme price of 88 having

been touched. The present figure is still low when a comparison is made with a period before the Boer War; but the causes of the general depression in the stock markets which prevailed before the American panic would appear to have been removed. There is no hindrance now to a steady advance in gilt-edged securities, which may be fairly expected from the combination of cheap money and contracted speculation the American collapse has brought about.

London and other Money Markets Compared.—A good deal of somewhat complacent comment is being made on this side on the comparative freedom of the London money market from failures, while serious smashes have been occurring not only in the United States, but in Berlin, Hamburg, Amsterdam, Antwerp, Copenhagen, and other Continental centres. Why has London escaped so well? There is reason for satisfaction, of course, but there are undoubtedly drawbacks—apprehensions that bad business may have been covered up, and that some real liquidation is going on under the surface. The magnitude of banking institutions in Great Britain rather facilitates the covering up of bad business. In America a big speculator brings down his banker rather easily, as the banker is one of a great crowd of small men; but in London a big bank or financial institution is not at the mercy of one or two speculators, as some bankers in America and on the Continent appear to have been. All that happens, then, is that the speculator is wiped off in the bank's books with such loss as may have been incurred, but there is no public failure, such as would have followed if the bank had been smaller. The London system of banking has thus great advantages over its foreign rivals, and all will go well if the bad business, though concealed, is properly liquidated in time. The danger, however, is that bad business may be accumulated, and that a great institution even in London may come on the rocks as at the Baring crisis in 1890; but this danger is not yet.

Imports and Exports.—Meanwhile, 1907 has been a record year in our foreign trade, and it may be interesting to note the figures of the whole year *pour mémoire*. The totals are :

	Millions.	Increase.	
		Millions.	Per cent.
Imports in 1907	£646	38	6
Exports of British and Irish produce in 1907 ...	426	51	12
Exports of Foreign and Colonial produce in 1907...	92	7	7½
Total	£1,164	96	

This is a most remarkable showing, especially as there is over one hundred millions more increase to be added in respect of bullion, transit trade, and other items, not to speak of the vast movement of shipping which represents additional values. It is a trade of this enormous magnitude which our fiscal reform friends seek to control and strait-jacket!

The Fall in Silver.—Reference was made in the last notes to the sudden fall in silver from about 31d. to 25d. There has been no recovery since the autumn. The explanation appears to be the rain deficiency in India, which has caused a cessation of the large demands for silver on Indian account. No doubt the American panic and a bank rate of 7 per cent. have worked in the same direction. It remains to be seen whether a return of Indian prosperity will lead to a higher price for silver, India being still the predominating factor in the market. It is interesting to notice that the fall in silver has had a considerable effect on the imports and exports of China and China's principal customers, especially Japan, which has had quite a crisis of its own in consequence mainly of the disturbance of its trade with China. The fall in silver, in fact, operates in China as it used to be said that it operated in India, stimulating the exports and making China a formidable competitor in all markets to which it exports, among which, of course, is Japan, and, on the other hand, checking and contracting the imports, and so limiting the market of the countries from which the imports are received. Too much is made, we believe, of this effect of the fall in silver, as too much was made of it formerly when India had a silver standard and the trade of India was in question; but it is interesting to see how the recurrence of like circumstances gives rise to like explanations.

Budget Prospects.—As Budget time approaches, interest is revived in the question of what Mr. Asquith will do, especially in view of his undertaking to tackle the subject of old-age pensions. The revenue is coming in in a way not likely to disappoint, but otherwise the prospects do not seem at all brilliant, money being promised in certain directions, particularly for education and licences, while the Army and Navy Estimates, instead of being diminished, have been rather increased, with increases in future years foreshadowed. The Budget problem has thus become a most difficult one, and it is not made easier by the political difficulty arising from differences of opinion on the ministerial side as to the real practicability of economies in Army and Navy.

R. G.

CURRENT TOPICS.

RECENT movements relating to wages in the cotton industry, which for a time threatened extensive strikes, have brought out divergent views as to the interpretation of the famous treaty known as Brooklands agreement, signed by the representatives of employers and operatives (spinners, weavers, and card and blowing-room operatives) in 1893 on the conclusion of the great strike of that time. This agreement laid down rules of procedure in cases where any employers or operatives desired an alteration in wages, which rules of procedure insured that any such proposals should be laid before a joint meeting of employers and operatives. Further, the agreement declared that twelve months must elapse between changes in wages, and that advances or reductions must not exceed or be less than 5 per cent.

IN the autumn of last year the Oldham spinners asked for an advance on fine counts of 20 per cent. on twist and $12\frac{1}{2}$ per cent. on weft, on the ground that fine spinners were paid less in Oldham than in Bolton. Ultimately the demand was reduced to 10 per cent. on both twist and weft. The masters responded that the matter could not be raised then, as twelve months would not have elapsed since the last change in the rate of wages till the following June. The operatives did not share this view, because a general advance was not claimed, but merely the redress of a grievance affecting only a section of the spinners. Matters were thus brought to a deadlock. At the eleventh hour the President of the Board of Trade (Mr. Lloyd-George) intervened, and solely in consequence of his endeavours a truce was arranged on November 24th for a fortnight. It was agreed that negotiations should be resumed, and that the opinion of the Law Officers of the Crown should be taken as to the bearing of the Brooklands agreement on the situation. The Law Officers held, in a document dated December 3rd, that the demand did contravene the Brooklands agreement, as a percentage advance was asked for, and they expressly stated that in their view the fact that it related to a section of the spinners only (*i.e.*, in their words, was a "piece-meal" demand) did not render it permissible. They added, however, "while expressing the above opinion on the point which has actually arisen, we desire to add that, in our opinion, demands which are in reality for a rearrangement or revision of allowances or conditions which have become inappropriate to a particular section of the trade would not necessarily be subject to the provi-

sions of clause 4 merely because they might allow such section to earn *de facto* larger wages than they would earn before."

By the time this opinion was received in Manchester, the conference of representatives of employers and operatives was engaged in discussing possible forms of revision of the Oldham list. Mutually satisfactory terms were agreed upon on December 5th, after critical negotiations which drew Mr. Lloyd-George again to Manchester on December 4th, though he was not actually brought into the discussion. The settlement was as follows:— "That the quick speed clause of the Oldham list be modified so that mules running slower than 3 draws in 44 secs. for a 63-inch stretch have added to gross earnings payment for $\frac{1}{12}$ th of the number of seconds they run quicker than 3 draws in 120 seconds for a 63-inch stretch at the rate per second provided for in the quick speed clause. Those mules now running quicker than 3 draws in 44 secs. for a 63-inch stretch to continue to receive what the present clause gives them." The quick speed clause is an arrangement by which allowances or extras are paid to operatives working very fast machinery on the ground of the greater work entailed. Only coarse counts can be spun at these high speeds. The solution has been to extend allowances to lower speeds—that is, in effect, to extend them to higher counts. Allowances increase as before with a rise in speed (from the fairly low speed point of 3 draws in 120 seconds)—that is, generally speaking, with a fall in the fineness of the yarn, but as the fine spinner now gets some of these extras his position is improved in relation to that of the coarse spinner.

DURING the agitation there was some talk of a universal list, but to obtain common agreement upon its details would be a matter of the greatest difficulty in view of the fundamental differences in principle between the Oldham and Bolton lists, which are by far the most extensively used. By such a list the wages of large numbers of operatives would have to be raised a great deal to prevent others from being required to accept reductions to which it would not be easy to reconcile them. This results from the fact that wages do not in all places scale in the same way. And there is doubt as to whether one list would allow sufficiently for local differences in respect of the quality of labour and the kind of specialism of the trade, though this difficulty might be surmounted by leaving much to be settled by the mode of applying the list. At any rate, it appears certain that patching was the safest solution of the recent difficulty.

BEFORE this storm had cleared away another was gathering and had already broken locally. The ring-spinners asked that a piece-rate list for ring-spinning should be drawn up, and that ring-spinners' wages should be raised. The employers declared themselves ready to consider the formation of a list, but argued that the demand for an advance (before June, 1908) and the striking of two mills, which had actually taken place, were breaches of the Brooklands agreement. Again there seemed to be a hopeless deadlock. However, good sense prevailed, and on January 24th it was determined that negotiations should proceed as regards the construction of a ring-spinners' list; that work should be resumed at the four mills, which by that time were in a state of enforced idleness; and that the employers should not be taken to assent to any setting aside of the Brooklands agreement, or to any assumption that ring-spinners were not under that agreement, though they, the employers, were prepared to take the view that during the negotiations for a universal list no discussion on the question of the Brooklands agreement need arise.

Evidently a clear and definite common understanding as to the exact interpretation to be placed on a part of the Brooklands agreement is still to seek. In view of this patent fact the action of both parties in compromising has been wise and statesmanlike. The peculiar circumstances which have arisen cannot frequently recur, but it would seem desirable that before they do the Brooklands agreement should be revised or supplemented with an interpretation clause.

THE premium bonus system was discussed by a deputation of trade unionists which waited upon the First Lord of the Admiralty on January 30th. The deputation objected to the adoption of the system in Admiralty works, claiming that it was dishonest, and led to the discharge of the older men. Lord Tweedmouth, in reply, said that he could not hold out hopes that the system would be dropped. He claimed that the men gained an increase of wage by it, and that they liked it. He pointed out that up to the present it had only been adopted among comparatively few men, but went on to say that he would give no promise that it would not be considerably extended.

THE annual conference of the Labour Party was held this year in Hull on January 21st, 22nd, and 23rd. The chief interest lay in the resolutions defining the attitude of the party towards Socialism, and here the general public have been much bewildered by the passage of two apparently contradictory resolutions. But

a careful reading of the words of the two resolutions makes the position clear. The first, which was rejected, sought to declare that the object of the party was "to organise and maintain a Parliamentary Labour Party, with its own whips, whose ultimate object shall be . . . the institution of public ownership and control of all the means of life." In spite, however, of the defeat of this motion by an overwhelming majority, the conference went on next day to declare that "the Labour Party should have as a definite object the socialisation of the means of production, distribution, and exchange." The secret of the situation is that the first resolution would have bound the minority, whereas the second expresses an abstract opinion. The Socialists showed that they were in a majority at the conference, but that they were willing that the Labour Party should be open to trade unionists who would not declare themselves to be Socialists.

THE reports of the American Commissioner of Corporations, to which we refer on another page (p. 158), read in connection with the prosecution of the Standard Oil Co. by the Department of Justice, seem to show that there has at last been discovered a method for checking the abuses of monopoly. The prosecution, we believe, was largely based on the investigations made by the Bureau of Corporations. The purposes, described by us in a former number (Vol. XV., pp. 283 and 385), for which the Bureau of Corporations was created, are being accomplished. The Alton case, which resulted last year in a verdict of guilty, with a fine of some \$30,000,000, is but one of several *rebate* cases for which the Standard Oil Co. has been indicted. Moreover, the Government has presented a bill in equity for the dissolution of the Standard Oil monopoly, under the Sherman Anti-Trust Act forbidding combination in restraint of trade and monopolies. Whatever the result of this suit, and whether or not the appeal against the legality of the fine in the Alton case be successful, it is clear that a weighty blow has been struck against the abuses of corporate combinations. Mere publicity, it may be expected, will often prove a corrective of the industrial evils connected with monopoly. The Commissioner looks for "a general administrative system of supervision," which shall give the essential facts relating to all "inter-State corporations." There is required a system "which will enable the Government to deal with such corporations in the main by administrative supervision rather than by judicial procedure; whose methods will be preventive rather than penal; and, most important of all, a system which will afford a

permanent practical ground for contact and co-operation between the Government officials charged with this work on the one hand and corporate managers on the other. So great is the complexity and so tremendous the scope of modern industrial machinery that it can be regulated satisfactorily only through such administrative action exercising constant supervision and inspection."

IN consequence of the incorporation of University College with the University of London, some changes in the title of the teachers of economics and kindred subjects in London have been made. The awkward title of Appointed Teacher has been discarded. Professor Foxwell, formerly Professor of Political Economy at University College, and Appointed Teacher of Banking and Currency, has become Professor of Political Economy in the University of London. Dr. Edwin Cannan is also Professor of Political Economy in the University of London; Mr. Bowley is Reader in Statistics; Mr. Hubert Hall, Reader in Palæography and Economic History; Dr. Lilian Knowles, Reader in Economic History; Mr. H. J. Mackinder, Reader in Geography; and Mr. A. J. Sargent, Reader in Foreign Trade. All of these continue their teaching at the London School of Economics.

PROFESSOR J. H. CLAPHAM, Professor of Economics at the University of Leeds, has been appointed Assistant Tutor in History at King's College, Cambridge, in succession to Mr. Oscar Browning, who has resigned his post. Mr. Browning retains his University Lectureship in History.

M. ADOLPHE LANDRY has been appointed to the chair of the History of Economic Doctrines, which has been recently created by the Municipal Council of Paris at the *Ecole des Hautes Etudes*. M. Landry is the author of a book on the "Social Utility of Property," and also of one on the "Interest of Capital." He pursues the abstract methods of the Austrian School.

THE Professorship of Laws at Trinity College, Dublin, vacant by the retirement of Mr. Brougham Leech, has been conferred on Professor Bastable. Our readers will be glad to hear that he will not be lost to political economy, but will continue to hold the Professorship of that subject.

THE affinity of legal with economic studies has been lately traced by Professor J. S. Nicholson in an address to the Faculty

of Actuaries at Edinburgh. He dwelt also on the uses of mathematical ideas in economic problems, showing that analysis of the kind originated by Cournot is required in order to understand the nature of competition and monopoly.

THE Franco-British Exhibition, which is to occupy a vast site at Shepherd's Bush, will contain one section devoted to Social Economy, Sanitation, and Public Relief. The section will deal with economic resources and organisation, State regulation of industry, methods of industrial remuneration, profit-sharing, provident institutions, co-operation, housing, hygiene, public relief, and charity organisation. The Home Secretary is the chairman of the committee of this section.

THE quarterly meetings of the Royal Economic Society, which were announced in the September number of the ECONOMIC JOURNAL, have been held with success—one in November and one in February. The original programme was not, indeed, carried out in all its details, owing to accidental circumstances. But excellent substitutes for the papers announced were supplied by Prof. S. J. Chapman and Mr. C. J. Hamilton. The reading of the papers was followed by instructive discussion, at which more unanimity prevailed than might have been expected—as to the second subject, at least, *minimum wage*—where leading representatives of both Socialism and Laisser-Faire were present. The amicable interchange of opinions was prolonged by the economists, who, on the termination of the debate, shared a simple repast at a neighbouring restaurant. The quarterly meetings are intended to be less formal than the Economic Congress, which was also inaugurated last year.

RECENT PERIODICALS AND NEW BOOKS.

Journal of the Royal Statistical Society.

DECEMBER, 1907. *Presidential Address.* RIGHT HON. SIR CHARLES W. DILKE, BART. A criticism of defects in British official statistics suggests the creation of some "permanent statistical direction." *The Rent of Agricultural Land in England and Wales during the Nineteenth Century.* R. J. THOMPSON. The trend of rents deduced from samples is compared for the last half of the century with income-tax returns and Sauerbeck's index number for "animal and vegetable food." The "economic rent" of land in England and Wales after allowance for repairs and interest is estimated at £6,300,000. *The Differential Law of Wages.* H. L. MOORE. The statistical aspect of the theory propounded in the ECONOMIC JOURNAL for December, 1908.

The Economic Review.

JANUARY, 1908. *The Study of Politics.* A. E. ZIMMERN. *The Under-crowded East-end.* M. J. LANDA. *The Coventry Motor and Cycle Trades.* G. B. CARLISLE. *Mechanism and Modern Life.* IDIOTES. *The Problem of the Watering-place.* RUTH KENYON.

The Contemporary Review.

JANUARY, 1908. *The American Panic.* LORD WELBY. A lucid summary of facts and probable causes. *The Government and Old-age Pensions.* HAROLD SPENDER.

FEBRUARY. *Old-age Pensions and the Belongingless Poor.* EDITH SELLERS. Inquiries at several workhouses show that the proportion of inmates above sixty-five having relatives with whom, if pensioned, they could live is very small; e.g., at the Kensington workhouse only eight out of the 353 old women. If the samples are typical, out of the 76,087 inmates of workhouses above sixty-five in England and Wales, only 760 would be benefited by old-age pensions. *The Limits of Direct Taxation.* HILAIRE BELLOC. Importance is attached to the statement that where wealth is unequally divided, the sum of individual assessments (for the purpose of a proportional income-tax) greatly exceeds the actual wealth.

The Nineteenth Century.

FEBRUARY, 1908. *Labour and Tariff Reform.* THE EARL OF DUNRAVEN. A plea for protection. *The Impotence of Socialism.*

A. W. HOARE. *Can the Working Classes Save? A Workman's View.* J. G. HUTCHINSON. Workmen can help themselves by refraining from drink and gambling, and through co-operative societies, which should provide work for their own members.

Journal of the Institute of Bankers.

DECEMBER, 1907. *The Inaugural Address of the President.* SIR FELIX SCHUSTER shows a connection between high general prices and low price of consols. The crisis in America is attributed to over-trading, dependence on credit without sufficient safeguards. Our reserves ought to be such that we could spare £5,000,000 or £10,000,000 without a 7 per cent. bank rate.

The Sociological Review.

JANUARY, 1908, Vol. I., No. I. The new review takes the place of the annual volume of collected Papers, which we have noticed occasionally. *A Note on the Unemployed Workmen Act in 1906-7*, by Mr. W. H. BEVERIDGE, is a purely economic contribution. But we cannot pass over in silence Mr. HERBERT FISHER's *Sociological View of History*.

The Quarterly Journal of Economics (Boston).

NOVEMBER, 1907. *Mortgage Taxation in Wisconsin.* T. S. ADAMS. *The Nature of Capital. A Rejoinder.* E. BÖHM-BAWERK. *The Rent Concept, Narrowed and Broadened.* T. CARLTON. *An Illustration of the Continuity of the Openfield System.* P. VINOGRADOFF. An account of the by-laws of the Oxfordshire manor of Great Tew, which though framed in the eighteenth century reflect light on the openfield industry of the Middle Ages. *The Taxation of the Unearned Increment in Germany.* R. BRUNHUBER. The writer describes the new tax favourably, and defends it against objections. Himself an authority on the subject, he gives many useful references. *The Texas Stock and Bond Law.* E. T. MILLER.

Political Science Quarterly (New York).

DECEMBER, 1907. *Railroad Valuation.* W. Z. RIPLEY. A distinction is drawn between the actual investment in physical plant and the franchise value due to rights of way and other privileges conferred by public grant, a value in which the public may claim a share. *The Legal Status of Trade Unions.* H. R. SEAGER. The steps by which British unions have reached their present legal status are traced. Arguments against holding trade unions to financial responsibility, according to the Taff Vale decision, are urged, and suggestions as to administrative control.

The Yale Review (Newhaven).

NOVEMBER, 1907. *New Unearned Increment Taxes in Germany.* R. C. BROOKS. The *Wertzuwachssteuer* has been entertained by five State legislatures, and adopted by several municipalities. In the typical instance of Cologne, the seller of land pays a tax on the value that has accrued since the last price paid for the property, with allowance for improvements and other deductions, including interest on land not built on. The tax is progressive, beginning with 10 per cent. (in case of an increase

of value of more than 10 per cent.), if less than five years have elapsed since the sale; for longer intervals the rate is lower. A more retrospective legislation, with immediate yield, is demanded by some. *An Agricultural Bank for the Philippines.* E. W. KEMMERER. *Distribution of Immigrants.* H. P. FAIRCHILD.

Annals of the American Academy (Philadelphia).

The NOVEMBER number is devoted to the *Social Work of the Church*. The subject of the number for JANUARY, 1908, is *American Waterways*.

The Journal of Political Economy (Chicago).

NOVEMBER, 1907. *Municipal Employment of Unemployed Women in London.* EDITH ARBOTT. A record of the experiments tried by the Women's Work Committee of the Central Unemployed Body.

DECEMBER, 1907. *Combinations.* C. C. ARBUTHNOT. *Currency Reform.* J. L. LAUGHLIN.

JANUARY, 1908. *Sources of State and Local Revenues.* T. S. ADAMS. *Rating on Unimpaired Value in New Zealand.* J. E. LE ROSSIGNAL and W. D. STEWART. The impost has not much discouraged speculation—has sometimes increased overcrowding. Generally, it has neither advanced nor retarded building.

Journal des Économistes (Paris).

NOVEMBER, 1907. *Théorie de l'évolution: Le monopole, La concurrence, L'économie rurale actuelle de l'Angleterre.* M. F. BYZIGER. *L'impôt sur les revenus immobiliers et la question des livres fonciers.* J. G. HENNIET.

DECEMBER, 1907. *Le problème des Chemins de fer aux États-Unis.* G. N. TRICOCHÉ. *L'alcool et les peuples primitifs.* M. NOUËT. *Les opérations gagées à Paris et en banlieue sur l'emprunt départemental.* E. LETOURNEUR. *Le libre échange au point de vue anglais.* W. HOLLOWAY.

JANUARY, 1908. 1907. G. DE MOLINARI. *Le marché financier en 1907.* A. RAFFALOVICH. *Le mouvement colonial en 1907.* D. BELLET.

Revue d'Économie Politique (Paris).

OCTOBER, 1907. *Embryogénie sociale et économique.* E. SCHWIEDLAND. An evolutionary sketch. *Le contrat collectif de travail (suite et fin).* RAOUL JAY. *La Tunisie actuelle.* F. BERNARD.

NOVEMBER-DECEMBER, 1907. *Les nouvelles forces sociales: Le Syndicatisme.* E. VILLEY. *Le Morcellisme dans l'industrie. (I.)* C. SABATIER. *La Tunisie actuelle.* F. BERNARD. *Le problème industriel à Naples. (I.)* H. BIGALLET.

JANUARY, 1908. *Les Banques Associées de New York.* G. FRANÇOIS. *Le Morcellisme dans l'industrie. (II.)* C. SABATIER. *Le problème industriel. (II.)* H. BIGALLET.

Revue Économique Internationale (Brussels).

FEBRUARY, 1908. *Du Commerce international.* LORD AVEBURY. *Les grands fondations internationales et la fondation de la*

couronne au Congo. R. WAROCQUÉ. *La dette hypothécaire en Italie.* RENÉ GONNARD. *L'évolution administrative de l'Algérie.* E. FALLOT. *Comment s'alimente une grande ville.* É. PAYEN. A description of the sources and methods by which Paris is supplied with food.

L'Économiste Français (Paris).

NOVEMBER 30TH, DECEMBER 7TH, 1907. According to M. Leroy-Beaulieu, the real cause of the American crisis was not the want of money or the fault of banks, but the limitation of the world's capital in comparison with the exaggeration of American enterprise.

NOVEMBER 30TH, DECEMBER 21ST. M. De Foville criticises Prof. Westergaard's prophecies respecting the future of population (mentioned below). He refers unsympathetically to Prof. Gide's views on garden cities (*Rev. Écon. Internat.*, Oct., 1907), and to Mr. Petavel's linear town.

DECEMBER 21ST. M. Leroy-Beaulieu comments unfavourably on the arrangement between France and England with respect to the avoidance of fraud in the matter of successions. The resulting double taxation is manifestly immoral, and calculated to provoke evasion.

JANUARY 25TH, 1908. The rise of prices in recent times is attributed to speculation, protection, the rise of wages; the increased production of gold is not a predominant cause.

International Institute of Statistics.

The complete report of the proceedings at the Copenhagen Congress last year are not yet to hand; but we may notice a paper on the future of population, contributed by Prof. Westergaard. From the decline of the birth-rate he anticipated a stationary state, in which the proportion of young people, and accordingly the burden of education, would be less than at present. Another consequence may be thus paraphrased. Whereas bridegrooms are generally some years older than brides, in a stationary population there would be less disparity between the supply of, and the effective demand for wives.

Jahrbücher für Nationalökonomie und Statistik (Jena).

NOVEMBER, 1907. *Die Scheckfrage und das Trennungsproblem im Bankwesen.* E. HEINEMANN. *Die Organisation des Scheckverkehrs in Deutschland.* O. WARSCHAUER. *Die neue Knappsche Geldtheorie.* K. SODA.

DECEMBER, 1907. *Zur Methode . . . der gewerblichen Produktionsstatistik.* O. MOST. *Australien als selbstständiger Produktionsstaat.* *Die Entwicklung der Preisniveaus in den letzten Jahren.* A continuation of the statistics published in the *Jahrbücher* for 1899, vol. 17, p. 642. Different modes of measurement agree in showing a rise in the level of prices during the last few years.

JANUARY, 1908. *Verbrauchs und Verbrauchsbelastung kleiner und mittleren Einkommen in Deutschland (I.)* W. GERLOFF. *Terminkauf und Kassageschäft.* R. EBERSTADT. *Konkursstatistik.* A. HESSE.

Zeitschrift für Volkswirtschaft (Vienna).

No. 4 and 5, vol. xvii., 1907. This joint number contains articles on *The Taxation of Consumption in the Austro-Hungarian "Ausgleich,"* by Prof. R. ZUCKERKANDL; on *The Nature of Capital,* by Prof. J. B. CLARK; and a rejoinder to him by E. BÖHM-BAWERK.

Archiv. für Sozialwissenschaft (Tübingen).

No. 3, vol. xxv., 1907. *Bodenspekulation und Wohnungsfrage.* DR. E. LEDERN.

Zeitschrift für die gesamte Staatswissenschaften (Tübingen).

No. 4, 1907. *Eisenbahnüberschüsse und Steuern in Preussischen Staatsausgaben.* G. COHN. [Views expressed by the author in the ECONOMIC JOURNAL, vol. xvii. on the contribution by State-managed railways to the expenses of State find confirmation here.]

De Economist (La Hague).

OCTOBER, 1907. *Met lege handen.* N. G. PIERSON. "With empty hands," according to the Protectionists, does a State which has not heavy tariffs enter upon negotiation. But the use of "fighting tariffs" is embarrassed by the action of "most-favoured nation" treaties, and by the difficulty of removing a tariff once imposed. France has "full hands." Why, with all her tariffs, can she do nothing for her depressed wine-industry? If Holland were to adopt fighting tariffs, there would be awakened a protective spirit which would oppose the use of the weapon for its original purpose. A reply to criticisms of this paper is given in a paper with the same title in the issue of JANUARY, 1908.

JANUARY, 1908. *De Handelscrisis van 1907.* PROF. BARON D'AULNIS DE BOURGILL. The recent crisis is contemplated in the light of previous experience and theory. The psychological explanation of crises after Edward D. Jones is preferred to Jevons' sunspot theory.

Giornale degli Economisti (Rome).

NOVEMBER, 1907. *Una visione cinematografica della scienza economica (1870-1907).* M. PANTALEONI. A rapid survey of the progress made in economic science during the last generation. *La tecnica finanziaria.* V. TANGORRA. *Della necessità di unificare la terminologia economica.* E. SELLA. *L'economia politica nell'insegnamento secondario.* M. RICCI. *Correlazione e causalità nei fatti economiche.* A. GRAZIANI.

DECEMBER, 1907. *La politica municipale nei grandi centri urbani.* G. MONTEMARTINI. *Di alcune questioni economiche della Calabria.* (I.) L. A. CAPUTO. The emigration from the province of Cosenza is the subject of the first article of this series. *Applicazioni statistiche del calcolo delle probabilità.* C. GINI. A study on the application of the theory of "errors."

JANUARY, 1908. *Una possibile creazione del metodo statistico.* R. BENINI. Pareto's income-curve and other empirical formulæ are used to illustrate the creation of an "inductive political economy," in which complicated phenomena are described by

means of one or two constants. *Reforme urgente nella legislazione sul registro e sul bollo.* V. TANGORRA.

- FEBRUARY. *Il deficit delle ferrone statali.* N. TREVISONNO. *Sull' istituto internazionale di Agricoltura.* M. PANTALEONI. The eminent professor introduces the important views of Mr. John H. Hubback on the proposed international Institute of Agriculture, referred to in the *ECONOMIC JOURNAL*, Vol. XV., p. 136. *Rapport au Ministre des Finances de l'Administration des Monnaies.* G. B. SALVIONI. The report of the French Mint for the year 1906 is described. *Sull' insegnamento dell' Economia politica.* E. DALLA VOLTA. *Sulla distribuzione della popolazione intorno ai centri.* E. FORNASARI.

NEW BOOKS.

ADAM (E.). *Land Values and Taxation.* London: Jack. 1907. Cr. 8vo. Pp. 200. 1s. net.

[Social Problems Series.] [Reviewed above.]

ARNOLD-FORSTER (RIGHT HON. H. O., M.P.). *English Socialism of To-day.* London: Smith and Elder. 1908. Pp. 226. 2s. 6d. net.

BELL (R.). *Trade Unionism.* London: Jack. 1907. 8vo. Pp. 112. 1s. net.

[Social Problems Series.]

CHAPMAN (Prof. S. J.). *Work and Wages. Part II.: Wages and Employment.* With an introduction by Lord Brassey. London: Longmans. 1908. Pp. 494.

[The second volume of the work of which the first volume is reviewed in the *ECONOMIC JOURNAL*, vol. xiv. The work is designed as a sequel to Lord Brassey's well-known books on Work and Wages. A third volume will complete the work.]

DARROCH (Prof.). *The Children.* London: Jack. Pp. 133.

[Reviewed above.]

DARWIN (Major L.). *Municipal Ownership.* London: Murray. Pp. 149.

[Reviewed above.]

FOX (A. WILSON). *Rating of Land Values.* London: P. S. King. 1908. Pp. 153.

[A second edition of the book noticed in the *ECONOMIC JOURNAL*, vol. xvi., p. 176, revised with additions, one of which consists of several pages extracted from the *ECONOMIC JOURNAL*.]

GIBSON (A.H.). *Bank Rate. The Banker's Vade Mecum.* London: Simpkin, Marshall. 2s. 6d. net.

HOWARTH (EDWARD G.) and WILSON (MONA). *West Ham. A Study in Social and Industrial Problems. Being the Report of the Outer London Inquiry Committee.* London: Dent. 8vo. 8½ × 5½. Pp. 444. 6s. net.

[Reviewed above.]

HUTCHINSON (A. L.). *The Limit of Wealth.* London: Macmillan. 1907. Cr. 8vo. 5s.

JEANS (J. S.). *Waterways and Water Transport, &c.* London: Spon. 1907. 8vo. 9s.

JEVONS (T. S.). *The Law of Trade Unions. Being a Text-book concerning Trade Unions and Labour.* London: E. Wilson. 1907. Cr. 8vo. Pp. 152. 2s.

JOWETT (F. W.). *The Socialist and the City.* London: G. Allen. 1907. 8vo. Pp. 94. 1s.

KAUFMAN (M.). *The Housing of the Working Classes and of the Poor.* London: Jack. 1907. Cr. 8vo. Pp. 156. 1s.

[Social Problems Series.]

KEEBLE (S. E.). *Industrial Day-dreams: Studies in Industrial Ethics and Economics.* New edition. London: C. H. Kelley. 1907. 8vo. Pp. 328. 2s. 6d.

KENT (PERCY HOBACE). *Railway Enterprise in China.* London: Arnold. 12s. 6d. net.

KNOOP (DOUGLAS). *American Business Enterprise.* Manchester: University Press. 1907. Pp. 112.

[In what direction a business man will extend his activities, whether, *e.g.*, by re-duplicating his plant, or undertaking some new work—such are the problems considered in this “study on industrial organisation,” which is a report made by a Gartside scholar of the University of Manchester.]

LAYCOCK (F. U.). *Motives of Mankind.* London: Open Road Publishing Co. 1907. Pp. 410.

[A “study of human evolutionary forces,” by the author of “Political Economy in a Nutshell.”]

MACKENZIE (J. S.). *Lectures on Humanism, with special reference to its bearings on Sociology.* London: Sonnenschein. 1907. 8vo. Pp. 252. 4s. 6d.

MARKHAM (MISS VIOLET R.). *The Factory and Shop Acts of the British Dominions. With a preface by Mrs. H. J. Tennant.* London: Eyre and Spottiswoode. 2s. 6d. net.

McMILLAN (MARGARET). *Labour and Childhood.* London: Sonnenschein. 1907. 8vo. Pp. 222. 3s. 6d.

OKEY (Mrs. THOMAS). *Labour Laws for Women in Italy.* London: Women's Industrial Council. 1908. Pp. 11. 1d.

[Mrs. Okey maintains the high character of the leaflets on labour legislation published by the Women's Industrial Council. A feature of especial interest in Italian legislation is the Maternity Fund, which gives to every female operative after the birth of a child a daily grant of money during the period for which she is obliged to abstain from work. An annual compulsory payment is made by every female operative, as well as by the employer.]

O'REILLY (F. E.). *The Imperial Tariff for 1908.* London: Eyre and Spottiswoode.

PEARCE (A. J.). *Municipal Rating and the Collection of Rates.* London: Gee. 1907. 8vo. 5s.

POOCK (A.). *Socialism and Individualism.* London: Sands. 1907. 8vo. 1s. net.

PORRITT (EDWARD). *Sixty Years of Protection in Canada, 1846–1907.* London: Macmillan. 1908. Pp. 478.

[Tariff politics are the most unsocial and provincial of petty politics.]

ROBERTS (CHARLES, M.P.). *Time Limit and Local Option.* London: King. 1908. Pp. 204. 1s.

ROOT (J. W.). *Banking and Currency Reform*. (Radix Series, No. 7.) London: Eyre and Spottiswoode. 6d.

SADLER (M. E.). *Combination Schools in England and Elsewhere*. Edited by M. E. Sadler. (Publications of the University of Manchester.) Manchester: University Press. 1907. Pp. 779.

SAINSBURY (ETHEL BRUCE). *A Calendar of the Court Minutes, &c., of the East India Company, 1635-1639*. Oxford: Clarendon Press. 12s. 6d. net.

SARGENT (A. J.). *Anglo-Chinese Commerce and Diplomacy (Mainly in the Nineteenth Century)*. Oxford: Clarendon Press. 12s. 6d. net.

[Reviewed above.]

SPENCER (M. G.) and FALK (H. J.). *Employment Pictures from the Census*. With a preface by Prof. C. S. Lock. London: P. S. King. 1906. Pp. 101.

[The Secretary and the Treasurer of the Central Bureau for the Employment of Women have here exhibited in a series of impressive diagrams some lessons derived from the figures of the census. The contrasts between the numbers of men and women in different occupations at several ages and places are brought out. The method of representing proportions by sectors of a circle is effectively employed. The picture-circles, as Prof. Loch remarks, show great differences among the boroughs of the Metropolis in variety of occupation. Is plurality of opportunity for occupation correlated negatively with pauperism?]

THOMPSON (Ald. W.). *Housing Up to Date*. London: P. S. King. 3s. 6d. net.

URIE (JOHN). *Reminiscences of Eighty Years*. Paisley: Gardner. 1s. 6d. net.

[Deals with the Bread riots.]

WEBB (SIDNEY and BEATRICE). *English Local Government from the Revolution to the Municipal Corporations Act*. The Manor and the Borough. Parts I. and II. London: Longmans. 1908. Two vols. 25s. net.

WILSON (H. A.). *The Failure of Modern Socialism*. London: Drane. 1907. Cr. 8vo. 3s. 6d.

[A reply to Blatchford's "Not Guilty."]

BEER (G. L.). *British Colonial Policy, 1754-1765*. New York: Macmillan and Co. 1907. Pp. 327.

BOGART (E. L.). *Economic History of the United States*. New York: Longmans. 1907. Pp. 522.

BRISCO (NORRIS A.). *The Economic Policy of Robert Walpole*. New York: Columbia University Press. 1907. Pp. 222.

[Reviewed above.]

BULLOCK (Prof. CHARLES J.). *Selected Readings in Economics*. Boston: Ginn and Co. 1907. Pp. ix+705. 10s. 6d.

[This useful compilation aims at supplying the "collateral reading needed for a general course of study in Economics." It "makes no effort to present selections upon all the topics treated," but endeavours merely to provide supplementary material, historical, descriptive, and theoretical, which will enrich the instruction offered.]

CLARK (Prof. JOHN BATES). *Essentials of Economic Theory as Applied to Modern Problems of Industry and Public Policy*. New York: Macmillan and Co. 1907. Pp. 566.

[Among the subjects to which theory is applied are monopolies, railways, great industrial corporations, trade unions, strikes, boycotts, arbitration between employers and employed, monetary policy, and protection.]

DAY (CLIVE). *A History of Commerce*. London: Longmans. 1907. Pp. xliv + 626.

FISHER (IRVING, Ph.D.). *The Rate of Interest: Its Nature, Determination, and Relation to Economic Phenomena*. New York: The Macmillan Co. 12s. 6d. net.

[Reviewed above.]

FISK (GEO. M.). *International Commercial Policies*. New York: Macmillan Co. 1907. Pp. 288.

HANNA (HUGH S.). *A Financial History of Maryland*. (Johns Hopkins University Studies.) Baltimore: Johns Hopkins Press. Pp. 131.

HENDRICK (B. J.). *The Story of Life Insurance*. New York: McClure. 1907. 8vo. Pp. 304. \$1.20.

[Articles which appeared in *McClure's Magazine*, on the history of Life Insurance; valuable material and sound criticism.]

KEMMERER (E. W.). *Money and Credit Instruments in their Relation to General Prices*. New York: Henry Holt. 1907. Pp. 160.

[The first in a series of studies from Cornell University.]

MALLOCK (W. H.). *Socialism*. New York: The National Civic Federation. 1907. Pp. 138.

[Six lectures delivered in 1907.]

MEYER (H. R.). *Public Ownership and the Telephone in Great Britain*. New York: Macmillan Co. 1907. Pp. 386.

MEYER (H. R.). *The British State Telegraphs*. New York: Macmillan Co. 1907. Pp. 408.

Municipal and Private Operation of Public Utilities. Report to the National Civic Federation Commission on Public Ownership and Operation. Part I., Vol. I.: General Conclusions and Reports. New York: National Civic Federation, 1907. Pp. 489.

SHAW (ALBERT). *Political Problems of American Development*. New York: Columbia University Press (Macmillan). 1907. Pp. 268. \$1.50.

[Deals, among other topics, with the money problem, the tariff, trusts, and railways.]

TORONTO (UNIVERSITY STUDIES). Published by the University Librarian. 1907. Pp. 170

[Local government in British Columbia, Newfoundland, and elsewhere, the administration of Montreal and Ottawa are among the varied subjects discussed by different authors.]

SMITH (S. G.). *Our Industrial Conflict*. New York: Revell Company. 1907. Pp. 219.

[Deals mainly with the labour problem, but with concluding chapter on Socialism.]

SPRAGUE (R. F.). *The True Nature of Value*. Chicago: University Press. \$1.

WATKINS (G. P.). *The Growth of Large Fortunes. A Study of Economic Causes affecting the Acquisition and Distribution of Property*. (American Economic Association.) New York: Macmillan Co. 1907. Pp. 170.

[The great cause of recent increase in large fortunes is found in the change in the forms of wealth and ownership—a greater proportion of agents of production and paper-property. An interesting feature is the classification according to their business of the three or four thousand millionaires in existence.]

COLSON (G.). Cours d'Économie Politique. Professe à l'École Nationale des Ponts et Chaussées. Encyclopédie des Travaux Publics. Paris: Gauthier-Villars.

[A colossal work in six volumes. The first four volumes, of which the substance has already been published in an edition of two volumes, are addressed to economists in general; officials and engineers will be specially interested in the fifth volume, on finance, and the sixth volume, on public works and transportation—which last now appears for the first time.]

FASTREZ (A.). Ce que l'armée peut être pour la Nation. (Institut de Sociologie.) Brussels: Misch et Thron. 1907. Pp. 291.

FRÉZOUVS (P.). La Théorie de la rente et son extension récente. Montpellier: Firmin. 1908.

GIDE (Prof. CHARLES). Économie Sociale: Les institutions du Progrès Social au début du XX^e siècle. Paris: Larose. 1907. Pp. 500.

[The third edition, revised and enlarged, of the work which was reviewed in the ECONOMIC JOURNAL, vol. xiii. The benefits in respect of remuneration, comfort, security, and independence which the working classes have obtained through their own efforts, from the employers or by the action of Government, are once more lucidly exhibited.]

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NEYMARCK (A.). Finances contemporaines. Vols. IV. et V. L'obsession fiscale. Paris: Alean. 1907. 15 fr.

[These latest volumes of the series include the various ministerial and parliamentary projects for tax reform proposed since 1872.]

POINSARD (L.). La production, le travail, et le problème social dans tous les pays au début du XX^e siècle. Tome I. Paris: Alean. 1907. Pp. 591. 8 fr.

PRICE (G.). Le rachat des chemins de fer. Examen des intérêts des compagnies, du public, des finances, et de l'état. Paris: Dunod et Pinat. 1907. 2.50 fr.

SAYOCS (ANDRÉ E.). Le cuivre. (Fédération des Industriels et des Commerçants Français.) Paris: Larose.

[The production of copper in the United States, the sale and consumption of the metal during recent years, are described by the Secretary of the above-named Society.]

SCANSA-LANZA (L.). Essai de solution du problème social par les magasins généraux. Paris: Alean. 1907. Pp. 92.

[Reviewed above.]

SCHATZ (Prof. ALBERT). L'individualisme économique et social. Paris: Colin. 1907. Pp. 590.

[The origin, evolution, and contemporary forms and claims of the principle of Individualism are the subject of this exhaustive study.]

SCHMOLLER (Prof. G.). Principes d'Économie Politique. Tome V. (Traduit par Léon Polack.) Paris: Giard. 1908. Pp. 347.

[This volume completes the translation of the important work which was reviewed in its original German form in earlier numbers of the ECONOMIC JOURNAL (vol. xi. and vol. xvi.). The chapter on Commercial Policy with its historical retrospect and *coup d'œil sur l'avenir* is specially interesting.]

TRIBAULT (F.). L'impôt direct et la propriété foncière dans les royaumes francs. Paris: Larose et Tenin. 1907. 3 fr.

BECHER (Dr. JULIUS). Das deutsche Manchestertum. Karlsruhe: B. Braun. 1907. Pp. 131.

[A sub-title describes this study as a contribution to the history of economic Individualism. Prince-Smith and the short-lived free-trade movement in Germany form prominent features.]

BENDIXEN (Dr. F.). Das Wesen des Geldes. Zugleich ein Beitrag zur Reform der Reichsbankgesetzgebung. Leipzig: Duncker und Humblot. 1908. Pp. 60.

BOLDT. Die Wertzuwachssteuer. Bisherige Gestaltung und Bedeutung für die Steuerpolitik. Dortmund: Cruwell. 1907. Pp. 140. 2 m.

CALWER (R.). Das Wirtschafts-Jahr, 1905. Zweiter Teil Jahrbuch der Weltwirtschaft. Jena: Fischer. 1907. Pp. 294.

GOMBERG (L.). Grundlegung der Verrechnungswissenschaft. Leipzig: Duncker und Humblot. 1907. Pp. 242.

[On book-keeping and cognate matters.]

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HAARMANN (Dr. H. J.). Die ökonomische Bedeutung der Technik in der Seeschifffahrt. (Technisch-Volkswirtschaftliche Monographien. Herausgegeben von Dr. L. Sinzheimer.) Leipzig: Klinkhardt. 1908. Pp. 107.

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[In Münchener Volksw. Studien.]

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[A comprehensive examination of theories from the time of Locke to the present.]

KARWEHL (Dr. H.). Die Entwicklung und Reform der deutschen Knappschaftswesen. Jena: Fischer. 1907. Pp. 164.

[A study on Miners' Unions in Germany.]

LIERMANN (Prof. Dr. ROBT.). Ertrag und Einkommen auf der Grundlage einer rein subjektiven Wertlehre. Jena: Fischer. 1907. Pp. 72.

MUCKLE (Dr. F.). Henri de Saint-Simon. Jena: Fischer. 1908. Pp. 384.

ROST (Dr. BERNHARD). Die Wert und Preistheorie mit Berücksichtigung ihrer dogmengeschichtlichen Entwicklung. Leipzig: Duncker und Humblot. 1908. Pp. 207.

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[Translated from the Swedish. The author is a police official.]

SCHUCHART (Dr. TH.). Die Volkswirtschaftliche Bedeutung der technischen Entwicklung der Zuckerindustrie. (Technisch-volkswirtschaftliche Monographien.) Herausgegeben von Dr. L. Sinzheimer. Leipzig: Klinkhardt. 1908. Pp. 267.

SOMBAERT (WERNER). Sozialismus und Soziale Bewegung. Sechste Auflage. Jena: Fischer. 1908. Pp. 395.

[The sixth edition of a well-known work, enlarged and brought up to date. Special attention is given to Socialism in France and Italy, "revolutionary Syndikalism," and the underlying theories.]

EINAUDI (L.). Studi di economia e finanza. Turin, Rome. 8vo. Pp. 212. Lire 3.

COISSER (A.). Il problema delle abitazioni popolari. Turin: Lattes. 1908. Pp. 101.

LABRIOLA. La speculazione economica. Napoli: Società Libraria. 1907.

LORIA (ACINILE). La crisi della Scienza. Torino: Bocca. 1908. Pp. 40. 1 l.

[The present disintegration of science is but an ephemeral incident of that moment of history at which man's inert acquiescence in the fatality of evolution ceases, and he intervenes to change the course of phenomena by conscious action; a further moment, a higher rhythm of law, is to come.]

NITTI (F. S.). Il partito radicale e la nuova democrazia industriale: prime linee di un programma del partito radicale. Turin, Rome. 1907. 8vo. Pp. 162. 2.50 l.

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STEFANI (A. DE'). Gli scritti monetari di Francesco Ferrara e di Angelo Menzaglia. (Appunti critici del Dottor Alberto de' Stefani.) Verona: Drucker. 1908. Pp. 144. Lire 4.

[Two Italian classics, which the editor illuminates with reflections from recent economic literature.]

ANDERSSON (THOR). Social sjukförsäkring. Stockholm: 1907. Pp. 151.

[Social Insurance is the subject which the Swedish statistician treats in the vernacular.]

ANDREÁDES. ΠΕΡΙ ΑΠΟΓΡΑΦΗΣ. Athens: ΕΛΕΥΘΕΡΟΥΔΑΚΗΣ. 1908. Pp. 47.

[A lecture on the census, by the Professor of Political Economy at Athens.]

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THE ENLARGEMENT OF ECONOMICS.¹

A STRIKING characteristic of the England of to-day is the new prominence of the University. This is seen in many directions; but it is in the creation of the so-called "provincial" universities—the great city universities, like those of Manchester, Liverpool, Birmingham, Leeds, and Sheffield—that its significance becomes most apparent. For, attach whatever weight we may to other motives, such as civic pride, there can be no doubt that the rise of these universities has been due in large part to a widespread belief in their practical utility. This is something other—I will not say whether it is better or worse—than the old-fashioned vague respect for general culture which contributed to maintain the older universities even when they were least in touch with national life. For that was a feeling which certainly did not influence the great middle classes of this country enough to cause them spontaneously to subject their sons to university influences. And it certainly would not have been enough to induce modern democratic communities, like the ratepayers of great cities, to make grants from municipal revenues to university institutions. You may perhaps recall the passage in Cobden's speech of 1864 in which he commented on the care taken to teach young gentlemen at college all about the classic river, the Ilissus,—a stream so petty that Cobden had, with his own eyes, seen it dammed up by Athenian laundresses,—while they were allowed to remain grossly ignorant of the geography of the Mississippi. Cobden declared that such a state of education called for earnest remonstrance from every public man who valued the future welfare of

¹ Supplementary to the Address on *The Present Position of Political Economy*, in this JOURNAL, Dec. 1907. A lecture delivered at Owens College, Manchester, Feb. 10, 1908.

his country. There can be no sort of doubt that observations such as these really expressed the mind of the intelligent, serious middle classes of forty years ago, as well as of the artisan audiences who listened to Cobden's oratory. It is because the word "university" has now come to mean something closely associated with what they conceive to be national needs that new university foundations are being created in all our great centres of population to-day, with the support of a visible current of public approval and sympathy. This being so, it will be worth while, perhaps, to pause from time to time and ask ourselves certain questions.

The question I have particularly in my mind is this: What causes a university study to "flourish"? By that I do not mean what causes valuable treatises to be written. I mean, what leads to the appearance in our universities of considerable bodies of young men and women engaged in the assiduous study of some particular branch of human knowledge? It is not an easy question, nor one to which any one simple answer can be given. The most general answer, possibly, is to be found in the state of the public mind, or of the mind of those classes from which students are drawn. When the contemporary public mind is keenly concerned in certain subjects, students may be expected to go where they can learn something about them. The conservatism which besets all institutions will lead to delay in answering the public demand, and when the demand has once caused the study to be introduced, conservatism will keep it there, and even provide a certain body of students after the public interest has passed away. But after this general answer we may perhaps come to something a little more specific. And I am going to be so bold as to assert that,—whatever may be the prevailing academic theory as to a general cultivation of the mind as opposed to a particular practical purpose,—no study has, as a fact, long flourished in our universities that was not pursued for what I may, in a wide sense of the word, call a *professional* object. The great mediæval universities, with their thousands of eager students, were great professional schools—Paris for theology, Bologna for law. The Renaissance brought with it, it is true, the new ideal of general humane culture. But it may be doubted whether the ancient universities of England ever ceased, in their passage from the dark ages to modern times, to be primarily places for the education of clergy, and incidentally of clerical schoolmasters. We connect the rise of modern Philosophy in Great Britain with the Scotch universities, but that was because it could be made an important part of the professional

training of the Scotch divine,—a fact which accounts for a good deal in Scotch philosophy. In our own time it is the professional need of the physician and engineer that has done most to stimulate biological and physical studies. Take away from the "pure" sciences those who study with a view to teaching, as well as those for whom these sciences are the requisite preliminaries to more special professional courses, and the number of those who remain behind from pure love of the subjects themselves will be small indeed.

Let us apply these considerations to economics. However highly we may think of the orthodox political economy of the half century from, say, 1825 to 1875, and great as was undoubtedly its influence upon legislation and the general current of public thought, it cannot be said that it was "a flourishing study" at the university—"flourishing" in the sense already explained. The reason was that it did not seem to lead anywhere in particular, in the way of a future career. It might be of use to the publicist and the statesman, but this prospect was hardly definite enough for the ordinary man. Its study, therefore, was felt to be a luxury; and it is not luxuries, but bread-and-butter studies, which produce crowded class-rooms.

The truth of this explanation will be more evident, if we ask in what country did political economy first become a flourishing university study, with substantial classes, numerous teachers, specialised, as well as general, courses, and specialist journals. The answer is, of course, Germany, where political economy was represented in a score of universities by a department in active and thriving operation, at a time when no similar department could have been found anywhere in England. The reason is not far to seek. Germany was a country in which what we disrespectfully call "bureaucracy" had taken root in the seventeenth century, and had gone on attracting into its ranks ever since an increasing number of the ablest men in the country. And there, also, unlike England, political economy was from its birth regarded as a "Kameral-wissenschaft"—as a discipline especially appropriate for future civil servants. It was as a usual part, either directly, or indirectly through its association with law, of the required training for state employment that political economy in Germany secured the attention of students and their parents.

Or consider the case of France. Until 1878 the few chairs of political economy existing in that country were outside the university proper, and were purely ornamental. The best known

of these professorships, that at the Collège de France, was held by a series of well-known writers, but never attracted any regular students. To-day, we are told, "political economy and cognate studies are taught by about forty professors to about 8,000 students, all of them future barristers, magistrates, civil servants, deputies, or professors." And the reason is simple: since 1878 political economy has been a compulsory part of the required training for the legal profession.

There is one country whose experience has been very different, but which equally illustrates my contention, and that is America. There the number of students of political economy at the universities, the extent of the courses of instruction, the size of the teaching staffs are, as I expect you know, on the same scale as in Germany, and incomparably greater than anything we can see at present in this country. And this is not because economics forms part of the examination for any profession. It is partly due, no doubt, to the keen interest which the public has been compelled to take, for a quarter of a century past, in economic discussions vitally affecting the national life—such as those on currency, on railroads, and on trusts. With the characteristic readiness of the American people to try promising experiments, and under the influence of economists who have learnt in Germany how much wider the range of economics may be made than we are accustomed to suppose in England, the universities met this interest of the public half-way by enabling its professors to turn their attention to contemporary and practical issues. The names of two books, now well known to economic students of all lands, Hadley's *Railroad Transportation*, and Jenks' *Trust Problem*, will sufficiently illustrate what I mean. The significant thing about them for our present purpose is that they represent the substance and spirit of university courses of a kind such as we are now only beginning to create in this country. But there was a good deal more than this general public interest. My experience at Harvard made me realise that the most powerful motive which led students to enter economic courses was a widespread belief that such courses would be of practical benefit in their subsequent careers. Many a man has said to me "You see, I am going into business, and I think it will be a good thing to hear something about trade and industry, and so on." One student I remember in particular who was taking in the same year courses in economics, in chemistry, and in Spanish, for the reason, which seemed to him so natural, that he expected

contemporary political economy of the last generation in England ought to have been credited with a like practical bearing, I will not take upon me to say. The fact is that only in the rarest of cases was it actually so looked upon by students in England; while in America at every university a quite conscious and avowed belief that the economic courses would be of some personal advantage influenced scores of men, who set the fashion for hundreds of others. But then these courses, as I have before remarked, took a wider range than in England, touched more directly on burning issues, and involved sustained attention to actual facts of business experience.

There has recently been a notable awakening of interest in economic studies in English universities. There are now twice as many professorships of economics as were to be found twenty years ago, and the study is beginning to give the promise of an academic career—like Latin or chemistry. But the number of academic posts is still too small to furnish anything like the stimulus to study that the multiplicity of such openings creates in Germany or America. In certain fields of economic inquiry the general public is certainly much more interested than before. —I refer, of course, to such controversies as are suggested by the words *Tariff* and *Socialism*. The vast importance of these matters to our national life would of itself justify the creation of centres of scientific investigation such as the new economic professorships; and we may hope that there will thence proceed contributions to the discussion that even politicians may feel willing to pay some regard to. But from the particular point of view which I am taking in this paper, a diffused public interest will not do so much as might at first be expected; it will hardly fill our class-rooms with persistent and systematic students. That is because the general public has not time to come to college; and because, also, no serious economist of our day is at all likely to give the brief and rapid solutions which are craved for by the man in the street. The effect on the universities of renewed public concern with economic issues may, therefore, make itself felt indirectly rather than directly. It will be seen, possibly, in the larger place given to economics in the examinations for entrance into the civil service. Hitherto our examinations for first-class appointments in both the home and the Indian service have been based rather on the idea of testing general ability than on the idea of promoting a training peculiarly appropriate to a particular career. Civil service examinations, designed to fit into the present scheme of the more frequented among Cambridge

triposes and Oxford schools, can, of course, not create such a demand for instruction in political and economic directions as has led, for instance, to the creation of the Paris *École des Sciences Politiques*. For the ordinary first-class English appointments, economics is still among the subjects thrown in at the end, with a lower scale of marks, after providing liberally for classics, and mathematics, and natural science; and the examination is of a kind rather to tempt a clever classic or mathematician to hastily cram up a little economics as an extra, than to suggest to an ambitious youth any long and special study in that particular field. Still, there are signs of change. In the new examinations for the Consular Service, and in those for certain Factory Inspectorships and for minor positions in the Inland Revenue Department, economics has been given a conspicuous place. And this new notion of making the examination bear in some obvious and direct way upon the future occupation will probably spread. With the increase, moreover, of municipal functions and the growth of municipal staffs, the great civic corporations will probably find themselves driven to some sort of system of appointment by examination; and even if their examinations have to be of a somewhat special and technical character, they may increase the selfish interest of ambitious young men in what the universities can do for them.

You will, however, have anticipated the point to which I have been leading up. It is not, after all, in the directions I have just mentioned that we are to look for motives strong enough to make the study of economics "flourish" academically. The really hopeful direction is that implied in the new term which has of late come into our university life—the term "Faculty of Commerce." The main chance for our study just now lies in the new disposition of the public to believe that students can be given in our universities a training definitely adapted to prepare them for a business life—a training in which economics in some form and to some extent must, it is generally allowed, form a part. Here is the utilitarian, the bread-and-butter, in a wide sense of the term the "professional," motive which is capable, as American experience already indicates, of filling our class-rooms.

But is our economics as yet of a kind likely to secure and retain a firm hold upon the students who turn to it with this utilitarian purpose? My own conviction is that it will need, for this purpose, not so much to be transformed as to be enlarged, and enlarged in two directions. Our "political" economy will have to include,

I cannot but think, a much more objective survey of the actual facts of commercial and industrial activity; and by the side of this widened "political" economy—a science which looks at the interests of the whole society as organised in the state—there must be created something that I may provisionally call *Business Economics*, which frankly takes for its point of view the interest of the individual business man or business concern. These are my main contentions to-night. It is the second upon which I want to lay most stress: for the first the way is already more prepared. But the two are closely connected, and I must first deal briefly with the more obvious of the two propositions.

Hitherto the very centre of what I may without offence call the text-book presentation of economics in England has been what is known as the theory of distribution—a theory of the causes which determine rent, wages, profit, and interest, and, as its corollary, a certain teaching as to the incidence of taxation. Such a teaching was created by Ricardo on the bases laid by Adam Smith and Malthus; it was codified and simplified by James Mill; and it reached its latest complete expression in Fawcett's treatise popularising the book of John Stuart Mill. In the years from 1870 to 1880, this generally-accepted orthodox teaching was attacked from various sides by certain economists, chiefly English, such as Jevons, and soon afterwards melted away. Abroad, in France and Germany—it may be remarked in passing—it had never been so generally accepted. The theories that have taken its place in recent text-books are far more subtle. They represent, doubtless, some advance on the psychological side of the subject. Yet, for the ordinary intelligent man, the present is hardly a propitious time for a prolonged study of abstract theory: there is too much divergency among leading writers. And while for most men a distinctly concrete handling of economic facts will prove more congenial, for the men who come to economics with a utilitarian purpose this more concrete method will be absolutely necessary. The need is already finding recognition even in examination regulations. Thus, at the University of London the subject of economics is everywhere defined as "*Economics Analytical and Descriptive.*" In Cambridge an even more suitable word has been acclimatised from Germany; and when the student in the tripos gets to his Advanced Economics, he is allowed to choose between "*Analytical*" papers where, as we are authoritatively told, "place is found for such subtleties as interest the professed student more than the man

of affairs," and "*Realistic*" papers "adapted to the needs of those preparing for public and private business."

But examination requirements are not always statements of the immediately attainable: they are often only statements of ideals. Between the ideal and the realisation there is often a considerable gulf. I have myself had some recent experience in examining under regulations such as those I have quoted: and I may venture so far to reveal the secrets of the prison house as to say that it is not yet easy for examiners to live up to the ideal and set a due proportion of "descriptive" and "realistic" questions. For one reason (outside a limited group of subjects—banking and currency, trade unionism and poor law), there has, until very recently, been comparatively little available literature. The greater part of the economic world has not yet been surveyed descriptively and realistically, as anyone will soon discover who inquires which of the great modern industries of England has yet been adequately set before us, in its structure and working. When we begin to look seriously at them, they seem to resemble living organisms—yet organisms of whose morphology and anatomy we have the dimmest of notions. And another reason is that when an examiner does ask some elementary question which involves a knowledge of the outstanding facts of present-day English life, the examinee has a way of leaving it severely alone. The evident explanation is that he has usually limited his attention to one or two text-books, and in text-books "descriptive" or "realistic" matter is at present scantily represented. We have, however, good reason to hope that this wide and hitherto almost unexplored field will soon be more adequately cultivated. The mere establishing of a professorship of economics in a great industrial centre is pretty sure to lead to valuable publications on the peculiar economic problems of the particular district; and, by way of illustration, I have but to point to Professor Chapman's recent writings on the economics of the cotton industry and to Professor Clapham's book on the woollen trades. The encouragement of inquiry by trained investigators into industrial conditions at home and abroad has already begun to commend itself to the self-interest as well as to the generosity of business magnates; and the chance of distinguishing themselves by a good piece of work of this kind will, we may hope, appeal to the ambition both of our younger economists and of our graduate students.

May I add an observation or two concerning the method of investigation? Economic History is, I believe, destined to take

a larger place in the future in the circle of our studies. We need to know much more than we know with any certainty at present about the larger outlines of the economic history both of our own country and of the civilised world, as a background for our detailed studies of present-day questions. The idea of evolution is in the air; and a desire to know to what point we have come in the stream of the world's movement is an increasingly strong motive in all sociological inquiry. It is obvious also that some slight historical introduction is necessary for an understanding even of the present condition of any particular trade. In these two senses economics will become more and more "historical." But no "historical economist" has ever imagined that the history of earlier centuries would of itself indicate the meaning and tendency of modern conditions. If some of them seemed to give an inordinate share of their energy to minute inquiries about mediæval guilds or mediæval land tenure, it was partly because the "pure historians" by profession had not spared them the task by doing it themselves, and partly because of the weakness of human nature. No: the historical method is simply the application to the past—so far as, for various reasons, that past calls for study—of the same methods of careful observation and ascertainment of facts, and of their appropriate grouping for purpose of presentation, as are necessarily employed in any realistic study of the present. The chief difference is that some sources of information—such as ocular inspection and the *viva voce* evidence of witnesses—become impossible, and that others become more scanty as the period recedes. If the field of "history" be understood to include everything that happened up to a moment ago, then the term "historical method" is applicable to the whole range of "descriptive" and "realistic" inquiry. As the field of history is not commonly conceived of in that complete way, there may continue to lurk some chance of misapprehension in the term "historical method." So that if, in future, "realistic" should come to absorb "historical" in the description of "method," even the most historically-minded among economists should suffer no uneasiness.

But now I want to pass to what I have more deeply at heart—the other, the second, direction in which I feel that the scope of economics needs to be enlarged. Hitherto we have not gone outside a range of ideas already familiar to professed economists, even if they have not been influenced by them as much as one might wish; the importance of historical, realistic, descriptive studies has been insisted on by our German colleagues for more

than half a century. And, though such studies are peculiarly interesting and, as I have suggested, of direct utility even to men about to engage in trade, their point of view is still primarily that of the condition and interests of society (or of the nation) *as a whole*. That is to say, they belong to "Political" Economy. But it has been increasingly borne in upon me, since I have had occasion to watch the experiments of our Faculties of Commerce, that economics of this political or social sort is not enough. What seems wanted, if we are to give future business men a suitable training in our universities, is a sustained and systematic treatment of economic questions as they present themselves to men actually engaged in business—a treatment which will frankly take business success as the immediate criterion for the matter in hand: though it will take care to explain again and again that considerations of business expediency no more determine the nature of the effect of certain actions *on society at large* than the rules of the art of strategy determine the beneficence of military operations.

I have been brought to this conclusion of the need and possibility of a consecutive treatment of business problems by observing the light in which successful business men do, as a matter of fact, regard their own part in the world. They regard it as principally the arriving at a series of judgments one after the other on matters of policy. They are repeatedly saying to themselves, "What is the wise course to adopt, in such and such circumstances, to reach such and such ends?"

Let me illustrate by a personal experience. Soon after I came back from America to Birmingham, and when I was considering the curriculum of the proposed new Faculty in that place, a very successful English business man (who, by the way, has shown abundantly that he is by no means devoid of public spirit) was good enough to give me his ideas in writing. Among these notes I found the blunt question, "Can you point to any teaching in any text-book of Economic Science that is practically useful in the management of a business? If so, give instances." I am afraid my first inclination was to regard this as rather a philistine inquiry. And no doubt one could have made out something like a case even for the text-books. But my correspondent was good enough to explain his meaning by a further series of questions, suggested by his own long practical experience. And I was obliged to confess that, while one or two of his questions had of late begun to be dealt with in a scientific spirit—I need only refer to Mr. Schloss's *Methods of Industrial Remuneration* as a

case in point—upon most of them economic literature, so far as I was acquainted with it, was a pretty complete blank. In seven years things have changed somewhat. Even then there was a good deal of accessible material—in the financial, trade, and technical journals, in the proceedings of the engineering societies, in the writings of accountants, in obscure places in blue-books, and, above all, in the records of business experience furnished in such abundance, especially in times of depression, by the reports of shareholders' meetings. And since then, partly perhaps as a beneficent result of the tariff controversy, English business men have become a little more vocal than they used to be; though even now they do not regard their proceedings as matters of intellectual interest which they are ready to talk about, to anything like the same extent as their American counterparts. Still, there is hardly a dearth of material, though it may have to be dug out of unusual places. What has still to be urged upon us professional economists—it is what I have constantly to remind myself—is that the sort of topics we are referring to are not disconnected and fragmentary subjects of curiosity; they have the unity and inter-connection which comes from the circumstance that they all arise, (though in different shapes and proportions) in the course of the ordinary experience of the men who are directing business enterprises. And it is this which justifies, and, indeed, compels, their being brought together for systematic treatment in a single course of study, a single academic discipline.

What we call this,—a "Science of Commerce," or, as I have already proposed, "Business Economics,"—does not in the least matter, so long as we create the thing. And as the contents of this course of study will necessarily be largely determined in each modern university by the peculiar conditions of the surrounding locality, it will vary from place to place in the proportions of its several parts. Those who are in charge of departments of Commerce are inevitably all feeling their way, more or less consciously, to the same goal. If, then, I go on to mention some of the topics to which, in such a course as I conceive it, attention needs to be given, it is only because these particular matters have been suggested by Birmingham surroundings. The suggestions of Manchester surroundings will have their own special character; and I am sure that, in this creative period in our common work, all the Faculties of Commerce have much to gain by a frank interchange of impressions.

If, for purposes of exposition only, we divide the topics under

a number of heads, it will be convenient to take first the question of the legal form in which, under various circumstances, it will be commercially expedient to organise a business. Shall it be a private firm (or partnership), or a private limited company, or a public limited company? The appearance of "private" companies is a striking example of the way in which business expediences sometimes take advantage of legal possibilities. Limited liability was originally facilitated by law in order to promote the formation of large capitals by a great number of small contributors; it has been utilised for the advantage of businesses differing in no essential particular, so far as the provision of capital and the nature of the control are concerned, from the old-fashioned firm. In the Act passed last year, the distinction, which had hitherto been one in practice only, between a public and a private company, was at last legally recognised, and the term "private" was legally defined. As long ago as 1896, in the famous case of *Broderip v. Salomon*, the distinction between a sole trader or a partnership on the one side, and a company on the other, which might have been supposed to be suggested by the requirement in the case of the company of seven shareholders at least, was effectually wiped out by the decision of the highest legal tribunal that six of the seven might be "dummies" or "men of straw." Following the principle that the true intent of an act can be discovered only from the act itself, they arrived at the conclusion that there was nothing to require that the subscribers to the memorandum should either "take a substantial interest in the undertaking" or "have a mind and will of their own." The Act of last year carried the logical development one step further, and reduced the number of members legally required in a private company from seven to two. As the number of members has now ceased to be any sort of protection to the public, there seems no longer any practical reason for insisting on more than one. The only reason, probably, is that the word "company" still seems to imply plurality. But we can as easily accustom ourselves to a company of one as we have already to female "chairmen" and "freshmen."

It will be interesting, however, to see what effect the distinction just introduced into the Income Tax between "earned" and "unearned" incomes is going to have on the movement for converting partnerships into private companies. It is clear from the official explanations recently given by the Chancellor of the

Exchequer that, even where all the shareholders in a private company are actively engaged in the carrying on of the business, the share of the profits which they receive in the form of dividends will be subject to the higher rate of tax, as being, in the sense of the act, "unearned." In order to secure the lower rate, apparently the whole of the profits must be described in the articles of association as paid to the parties concerned "by way of remuneration for services rendered." We shall see whether the lawyers and accountants will be clever enough to devise articles of association which will get round the difficulty, and, if not, whether Income Tax law will impede the formation of Private Companies, or the strength of Private Companies will modify Income Tax law.

The field of choice before business organisers has been widened, also by an Act of last year, by the legislation which has made it possible now to obtain limited liability without the formation of what is technically a "company" at all. The Limited Partnerships Act has enabled the "sleeping partner" to sleep in peace, by the restoration of a form of organisation which was common apparently all over western Europe in the Middle Ages, and which is still familiar abroad as the *Société en Commandite* (Kommandit-gesellschaft), though it disappeared, for some reason or other, centuries ago from English law. The introduction of this new form of association into England takes place, however, at a time when, as I understand, it is being less and less taken advantage of abroad.

For great businesses, however, it will usually be the form of the public company which will be dictated by practical needs. But even here at least one important question of policy is beginning to present itself in the drawing up or amending of the articles of association. There is another noteworthy instance of the way in which business expediences avail themselves of legal possibilities to create forms of organisation differing very considerably in their indwelling spirit from what used to be known under the same name. I refer to the growing practice of creating Internal (Secret or Undisclosed) Reserves. I do not know whether you in Manchester have had this very significant business device brought conspicuously before your notice. In our neighbourhood it has been adopted by some of the most important manufacturing concerns, such as Guest, Keen and Nettlefolds, Avery's, the Metropolitan Wagon Co., and the Birmingham Small Arms. We have actually seen great amalgamations effected where the shareholders of the several concerns were content to accept the terms

proposed by their directors without being informed of the amount of their own internal reserves, still less of those of the other company. Evidently the new plan, while it has its dangers, has great practical advantages, both in competition with rival businesses and in making possible a steady rate of dividend.

It may be added that, besides the questions of the form to be chosen for single concerns, it becomes necessary sometimes to consider the best legal form in which one concern can control or influence another—by amalgamation, by the purchase of a controlling interest, or in other ways. And those who have occasion to invest in American enterprises need to follow the rather kaleidoscopic development of American law. It was not long after the form of the "trust," in the original technical sense of the word, had become illegal that benevolent State legislation created the possibility of the "holding company." But since the Merger (or Great Northern Railway) case, the legality of the holding company is apparently not always free from doubt.

The desirable legal form of the business having been determined, a whole group of questions of policy present themselves as to capitalisation, especially with regard to its amount and as to the treatment of "good-will" and "solid assets," and also with regard to the distribution of the capital as between the several categories of debentures and stock, cumulative, preferred, and ordinary. Considerations on this head have necessarily to be weighed in the floating of a company, in the getting-in of fresh capital, in the settlement of policy during the conduct of the business, and in the reconstruction which unfortunately becomes so often necessary. And then, besides the whole series of important financial problems connected with provision for depreciation, or "wasting assets," and with valuation (especially of stocks of materials which are subject to great fluctuations of price), there is the large question, in practice closely connected with these others, as to the use to be made in any particular year of such profits as may be available for distribution, *i.e.*, to what extent they should be distributed in the present, and to what extent they should be utilised for other purposes.

And now, coming to the heart of the matter, the actual running of the business—which for convenience we will suppose to be of a manufacturing character—business policy comes to be considered under the two heads of commercial and manufacturing (in the narrower sense of this latter term—what the Germans call the technical side). Of the two sides, it is, of course, the commercial that must control; it is no use in business to make

a thing, however beautiful, unless it can be sold. Commercial policy is simply a matter of buying and selling—and of these two processes as mutually determining one another: for buying of material and of services depends largely upon the price at which we can sell finished goods, and selling price depends largely on the cost of what one has to buy. And we academic people may as well at once confess that the exercise of a wise judgment in the determination of the time and terms of purchase and sale, of the amount and length of credit to be accepted and granted, and the like, cannot be secured by any possible scheme of instruction. The highest sort of business acumen is very often of a kind which is not itself distinctly conscious of the motives by which it is actuated. And there will of course remain in most businesses an element of unpredictable risk, which can be lessened indeed, but which cannot be entirely eliminated by any amount of forethought. Yet, after all, it would seem possible for even the ablest business man, and still more for the average business man, to get some assistance from a little preliminary consideration. The individual business, like the industry to which it belongs, carries on its operations within the nation's trade regarded as a whole, and it can hardly fail to be affected more or less by the fluctuations of industry generally. These fluctuations are things that can be studied statistically; and though we must guard against the assumption that conditions will ever exactly repeat themselves, there is enough to be learnt about the probable indications of coming depression or prosperity to be of some use to the individual business manager. Moreover, in each of the great industries there are records of past experience in the matters of price and output which may be made to supplement the more general indications.

It will also be allowed, I think, that whatever may be the price, above or below cost, at which it may be wise at any particular moment to sell, it is most desirable that the manufacturer should know what his goods do in fact cost him. And the problem of Cost Accounts, which is attracting more and more attention in the business world, is hardly one that can be left entirely to the accountants. For it is fundamentally a question not of technique, but of policy—not how to get certain figures, but what figures to try to get, and how to combine them. It is a problem, besides, on which accountants are at present by no means agreed among themselves, even as to general principles. Granted that cost accounts ought to be prepared (both of the nature of records and of the nature of estimates), the question

at once arises, What is to be included in Cost? It is coming to be realised that the Dead, Fixed, or Common Charges—the charges which are incurred with little change so long as a business is running, whatever (within certain wide limits) the output may be—that these must stand in the very forefront of a business manager's mind in settling his policy for the season. Often the disagreeable alternative is simply, as one great business man has said, “whether to lose money by taking orders at prices which provide no contribution to Dead Expenses, or, by refusing orders, to lose money by the Dead Expenses which remain to be met.” Inasmuch as the Dead or Common Charges have to be distributed or allocated in certain ways (and as to the principles and methods of this there is plenty of room for discussion) over the other costs—whether these latter are grouped together as “Prime Cost” or not—it follows that all costs must be placed under one or other of these two heads or under subdivisions of them. And here there reigns an amount of diversity of theory and of practice, especially as to the definition of Prime Cost, which seems to go a good deal beyond the necessary differences due to difference of conditions.

There is one special point to which I should like to direct your attention for a minute or two. I have been trying to show the possibility of a systematic consideration of “Business” Economics as a supplement to “Political” Economy,—of a commercial science which shall provisionally, and for its own purposes only, use business profit-making as its standard of judgment. The matter I refer to illustrates, I cannot help thinking, the confusion which arises from the attempt to import into business policy considerations appropriate enough to national production as a whole, but unsuitable for their new employment. One of the most authoritative writers on problems of accounting, dealing expressly with the subject of Common Charges, after a long and careful statement with regard to other causes of expense, adds at the end, without further explanation, these remarkable and sweeping words: “Interest on the general working capital of a business, calculated at a minimum rate, should be provided for as an item of cost.” Another writer, whose book has passed into a second edition, while he would apparently not include interest on capital represented by ordinary shares, would, inconsistently enough, “in private firms” include interest on the whole of the partners' capital. The reason apparently for the conclusion, in the case of both writers, is that interest is a part of the cost of production. But this is to use “cost of production” in the “poli-

tical" economist's sense, and not in the business man's sense of "cost." In the sense of the political or social economist, interest is a part of the cost of production, because, if society wants to continue to receive some particular product, it must "in the long run" pay for the use of the capital necessary for its production. But to the business man cost means the expense necessarily involved, either physically or legally, in a piece of production "in the short run." And hence interest on debentures and on bank loans is properly reckoned among Fixed Charges, because they are legally *fixed* and, when once contracted for, legally necessary expenses. A business which fails to pay its debentures is in a very different position from one that simply cannot earn interest on the capital it owns itself. And the inclusion of interest on borrowed capital in the business use of "cost" and the exclusion of all other interest serves to remind those concerned of a very practical distinction.

If I am right, the costs, in the business sense, of two concerns of precisely the same extent and character will be very different if one is run on borrowed capital and the other on its own, though from the long run or social point of view of the "political" economist the cost of production will be the same. It may, indeed, be replied that in any case the manufacturer will be conscious of the interest which the same capital could earn in an absolutely safe investment, *e.g.*, in consols, and that he will think himself entitled to a price that will cover that (and a good deal more); and that it therefore does not matter whether or not he adds it to his estimate under the name of cost. I should myself have supposed, however, that anything which blurred the simple sense of necessary-to-him-in-the-short-run of the term "cost" would make it of less ready assistance to him in arriving at a selling policy.

To the same commercial side of the business as buying and selling belongs the whole group of questions as to the agencies and channels for sale in the home and foreign markets, the relations to wholesale merchants and other middlemen, to agents or to branches, and the question of the purpose and methods of advertising. Each main industry has its own characteristics in these respects; but it is probable that in none the practice is so rigidly determined by obvious expedience as to leave no margin of choice. In some, and especially in comparatively new businesses, where no one method has as yet conclusively proved its superiority, the choice between very different procedures may still have to be made. I have an impression that this is at present

the case, for instance, in the bicycle industry. That in foreign trade there is some room for comparison between rival methods may be illustrated by the fact that, while English merchants are being told that by clinging to their conservative methods of avoiding risk (as by the plan of "cash against shipping documents"), they are losing trade to their American rivals, American merchants are being reproached with the recklessness with which they give credit. A high American banking authority asks them sadly "Is it not a great mistake, because we are comparatively young in the business, to continue on wrong lines because someone has started wrong?" And it need hardly be added that in the foreign trade there may sometimes be need to consider the reasons (involved in the economical running of the plant by the maintenance of a large scale of production) which will suggest the advisability of selling at a price abroad lower than that charged at home. Wherever "dumping" is rendered possible, either by differences in national production or in national tariffs, or by the obstacles imposed by distance on re-import, selling below cost price (in more than one sense of cost price) is neither unusual nor unfair; it is naturally dictated in certain circumstances by the interest of the business concerned—including that of those whom it employs. The considerations of commercial strategy which form Business Economics, and which indicate dumping as the wise course to be followed by the concern interested, of course carry with them no conclusion as to the effect of this policy either upon the country into which the cheaper goods are imported, or, directly or indirectly, upon the other industries of the exporting country. That problem belongs to the older and already established branch of Economics which is more properly called Political.

We come now to the subject of manufacturing policy proper, over which, however, as already observed, the commercial judgment—the judgment whether such and such a thing will pay—must always hold a tight rein. A man's duties and even the duties of the shareholder of a company (though it has no corporate body to be kicked, or corporate soul to be damned) are, it is true, by no means conclusively indicated by business expedience. Certain arrangements may be dictated by his duty as a citizen or as a Christian; he may desire to promote the comfort or happiness of his workpeople, to secure the amenity of the neighbourhood, or to produce articles which he believes beautiful, even if these purposes cost him money. But he ought to know whether or not they do cost him money—though even genuine philanthropy

is by no means always bad business. And similarly the commercial judgment must always be lying in wait for the technical expert, whose tendency is to think of absolute quality without regard to cost. A good deal of recent experience has reminded us that finish or substance in a commodity, unless it so serves an economic purpose as to obtain an equivalent price, is not only wasted labour or wasted material, but also a positive hindrance in competition at home and abroad.

In examining the manufacturing side of business, one would naturally look first at the question of the location and laying-out of the works. Existing businesses are more or less tied to their own past; and in planning new works or factories, all sorts of geographical and financial considerations necessarily make themselves felt. Moreover, the conditions of manufacture in the several industries show so wide a range of variation that it is less possible to generalise on this side of business than on the financial and more narrowly commercial side. There are, nevertheless, some important questions of general policy which arise over a considerable range of manufacture; I have particularly in mind works of the engineering type, and works producing various forms of iron and other metal goods which are of much the same character. There need to be weighed the relative advantages and disadvantages of a position in the heart of a great town, in the suburbs of a great town, in a small town, or right out in the country. Arguments based on the cost and area of the available space, the amount of local rates, the means of transportation, &c., have to be taken in conjunction with arguments based on the supply and quality of labour; and immediate pecuniary considerations have to be criticised in the light of what one can learn of the feelings of the workpeople in relation to the environment. For evidently a state of mind on the part of the working population which is likely to affect the working of the business is just as much a practical consideration as the cost of land per foot.

The site being fixed, there arises the question (so far as the site leaves it open) of the laying-out of the several departments of the works in their relation to one another. Here the preponderating consideration will probably be that of transportation, to secure movement in one direction from start to finish, as well as the convergence of parts towards the fitting shops. That there is still room for discussion on points like these is shown by the fact that what the Allgemeine Elektrizitäts Gesellschaft of Berlin and, I understand, the Westinghouse Company in America and England do in one large shop, Schuckert's at Nuremberg and the

General Electric Company in England split up among a number of relatively small buildings.

Within the works there are the questions of plant and of labour. Over the first I must pass with the merest reference to such problems as that of the "scrapping" of machinery, so as to get a few minutes for the second. In the employment of labour, one of the matters which, at present, call for most attention is that of superintendence. It is said by competent practical men that there is a tendency in modern engineering shops to economise unduly on foremanship; and it would also seem that the introduction of the modern machine tool makes it necessary to institute, in addition to the ordinary foremanship, some more adequate system of inspection of the quality of the product. With regard to the rank and file of the workpeople, we shall probably think first of the subject of Trade Unionism. Certainly, that must form an important part in any such systematic course of study as I am sketching. But to say anything under this head worth while, and free from the risk of misconstruction, would require the whole of a discourse. How diversely the problem presents itself in different occupations will be realised if one reflects how differently the very same individual will probably feel toward the demand for "recognition" in the cotton manufacture on the one side, and in railroad service on the other, if he happens to be at the same time a director of a spinning mill and of a railway company. But it may not be improper to ask, in passing, whether the sort of Olympian ignorance which some business men profess as to the organisation and rules of the unions among their men is altogether profitable.

What, however, I am more concerned just now to urge is the desirability of more systematic inquiry into conditions of labour solely from the point of view of business efficiency and economy of working. For instance, it is regrettable that on so important a subject as the relation of output and expense to hours of labour (as, for instance, it presents itself in the question of work before breakfast in engineering and similar establishments), there should be so little reliable record as yet of actual experience. Since the report of Messrs. Mather and Platt's experiment in 1893, which was scarcely of a nature to justify quite confident conclusions, one can hardly put one's finger on a trustworthy piece of exact information covering large operations until we find in a recent blue-book the evidence of the Government Ordnance Factories before a Departmental Committee of last year.

And now as to methods of remuneration. Though most of the staple industries of the country have settled down to some sort of piece-wage system, there is a considerable ferment just now in the engineering trades with regard to attempted or proposed Bonus or Premium systems. I cannot but feel that the subject requires to be considered as a rather broader question of policy than some energetic works' managers seem to think it. And then, again, the difficulty of obtaining such a supply of men of all-round competence as continues to be needed for purposes of superintendence—however much machine tools may take the place of the old-fashioned skill—this difficulty becomes more pressing with the gradual disappearance of the small non-specialised workshop where such men have hitherto been trained; and the various plans being adopted by certain enterprising firms in this country and abroad to meet the need in their own interests deserve careful scrutiny. The whole province of the management of labour has probably been left in the past too much to chance and haphazard. The severity of the commercial competition has tended to turn the attention of the best business brains outward, to the market, not inward, to the shops. That this is being felt by many thoughtful business managers is indicated by the establishment in various Continental works of such an officer as the "Industrial Engineer," whose task it is to supervise, and give expert advice concerning, the conditions of employment. Such a title indicates more truly what is wanted than the "Social" or "Welfare Secretary" who has made his or her appearance in some English concerns. For the latter suggests a paternal and philanthropic *régime*, and it is the organisation of labour from a purely administrative point of view that here primarily concerns us.

So much, then, for the single business. But, as everybody knows, there is a strong tendency nowadays to the amalgamation or combination of business. This is a movement which the "political" economist will look at from the standpoint of social interests. Hitherto, perhaps, in his solicitude for the consumer, he has hardly given sufficient attention to the producers—employers and employed. However, to the business man a proposed or possible combination or amalgamation affecting his own works is not a matter of social interest, but, as our American friends say, "a business proposition." And as a result of the experience of the last few years, we are now in a position to indicate the forms of combination most likely to secure success, the nature of the economies they can

effect, and the disadvantages and risks to which they are exposed. As to the requirements of good management, and especially the need for the concentration of power and responsibility—vitally important in a single business, and, curiously enough, often forgotten in a combination—the reports of more than one Investigating Committee, notably that concerned with the Calico Printers' Association in 1902, furnish instructive reading.

Any such classification of business questions as I have outlined must be for convenience of exposition only. The characteristics of various kinds of business shade off insensibly one into another. Thus, the object of the "multiplication of types" of product in one sort of business is much the same as that of the "broadening of the basis" in another kind of business by the addition of by-products or subordinate manufactures. And a development in the direction of "broadening" may reach results which resemble externally those of "combination."

At the risk of boring you, I have tried to indicate the nature of Business Economics by a rapid survey of some of the topics with which it must deal. Need I say that though it will "drive at practice," it will not profess to be a series of recipes for success? It will be simply a serious and systematic grouping and weighing of the known results of actual experience. In this work the academic teacher will enjoy no advantage that may not be possessed by any man of common sense: he will pursue no very difficult train of reasoning: he will make use of no peculiar "organon." His sole advantage will result from his wider acquaintance with the field of inquiry than most men actually engaged in trade have time to acquire. His function will simply be to interpret to the business world that world's own experience. Yet modest as the task is, it is one which he is urgently called upon to undertake. Certainly it is what the commercial world will expect from him if it is to send its sons to the new Faculties of Commerce.

It is not all they will come for. They will come for their ordinary working tools—in the case of some men to acquire a working knowledge of the languages of the countries with which they expect to deal; in the case of others to get that sort of knowledge of scientific and technological processes which is required by the commercial man running a manufacturing business, as distinguished from the technical "expert." They will come to acquire that definite knowledge and skill in matters of business technique which courses on Accounting and the like will enable them to obtain. They will come

for that stimulating exposition of the actual facts of the world's trade and industry which Descriptive or Realistic Political Economy ought to afford them. But whatever else they want, they want above everything else a systematic training of the judgment in definite application to the problems of actual business. Not that they can expect to jump from the class-room into the manager's office, though, indeed, now that younger men are beginning to come to the front here as in America, the interval between graduation and a really heavy responsibility may not be so protracted as it used to be. But it is essential, in anything worthy of the name of Higher Commercial Education, to make our students realise the business point of view, and to give them a stimulus which will carry their intellects through the years of drudgery to the day when they will have a chance of showing what is in them.

Business men complain that it is difficult to get men who can take responsibility or who can show originality, without stopping to reflect that, as things are, the experience through which a young man commonly has to pass for years after he enters a business is such as to deaden any originality he may possess. It is the part of Faculties of Commerce to counteract this tendency by the vigour and suggestiveness of their intellectual discipline. I cannot refrain from adding that utilitarian—avowedly and even proudly utilitarian (if you like, selfish)—as their studies must be in spirit and purpose, their use will by no means end with business success. I am becoming more and more convinced that a capital defect of our general economic literature is that we have not yet taken the trouble, paradoxical as it may seem to say so, to enter into the business man's point of view. We content ourselves with a vague recognition of self-interest and competition, and, yet with a quite unnecessary shamefacedness, we will not look long enough and steadily enough at what these words mean in actual affairs. The consequence is that we have most elaborate treatises on the life and labour of the people which, with all their interest, often seem like clouds floating in mid-air because the phenomena they describe are divorced from that which so largely creates and govern them—the policy of the *entrepreneur*. A scientific Business Economics—and by scientific I mean only completely honest and reasonably orderly—will certainly be of the utmost service in social legislation and private philanthropy.

And, as I said a while ago that "Descriptive" "Political" Economy will give scope and opportunity for an economic scholar's

ambition, so I say with even more emphasis with regard to Business Economics. I would say to the students before me, "Here is a comparatively new subject, a subject of enormous practical importance. And here is a chance for you, at this exhilarating period in the history of Business and in the history of Universities, to lend a hand in the building-up of the new Science. You will soon be 'out in the world': keep your mind awake, prevent your faculties from stagnating, by noticing what you see around you, by meditating on its meaning, by writing down your observations and conclusions. There will be no difficulty in getting good pieces of work into print. You will in most cases assist your own promotion by cultivating an intellectual interest in your surroundings; and you will contribute to that enlargement of economics from which Science and the University have alike so much to gain."

W. J. ASHLEY

EQUILIBRIUM UNDER BILATERAL MONOPOLY.

§ 1. An index of exchange or of relative output is comparable to a body acted upon by forces. Among these forces are the reciprocal demand schedules—or, if we prefer the phrase, the demand and supply schedule—of the exchangers on the two sides of the market. These schedules—the form of them, of course, may be modified by governmental or other action—determine, for the position of the index, what I shall call an *equilibrium locus*—that is to say, a series of points among which both sets of forces co-operate to place that index.

§ 2. The equilibrium locus may consist either of one point or of more than one point.¹ When the demand and supply curves are inclined in opposite directions, it consists of one point in all cases of free competition and in *most* cases of unilateral monopoly. When the two curves are inclined in the same direction, but do not intersect more than once, it consists of one point in all cases of free competition, and in *some* cases of unilateral monopoly. In all other cases it consists of many points. When it is composed in this latter way, the forces of demand and supply are not sufficient to determine upon which of the points embraced within it the exchange index will fall. This does not, of course, mean that the situation of that index is not determined by causes. It means that it is not determined by *these* causes. How much we know about its position in the concrete depends upon the extent of our knowledge of the other causes that are at work.

§ 3. Important instances of equilibrium loci composed of multiple points occurring under conditions of free competition or unilateral monopoly are discussed by Professor Marshall in his chapters on stable and unstable equilibrium and on monopoly.

¹ In some cases certain of the points embraced in the locus are positions of unstable equilibrium. For all practical purposes these points may be treated as outside the locus altogether.

These cases I shall for the present leave aside. The instances with which this article is concerned are those that arise when two or more agencies exercising monopolistic power are present in the market. By an agency exercising monopolistic power is meant, not necessarily an agency without competitors, but one which, instead of accepting the price of the market, tries of deliberate purpose to modify the price in its own interest.¹ It will not be to the *theoretical* advantage of any agency to do this if it contributes so small a part of the total supply that the derived demand curve for its individual product is a horizontal straight line, and it will not be to its *practical* advantage to do it unless it contributes a considerable percentage of the whole.

§ 4. In the case in which the two monopolistic agencies—whether dealing in rival, equivalent, or complementary commodities—are both on the same side of the market, the index embraced in the equilibrium locus is one, not of exchange rates, but of relative output. It *may*, therefore, represent positions evolved without any agreement between the two monopolists. When it does this, the facts indicated are somewhat different from those that emerge under a policy of agreements. For, as shown by Professors Edgeworth and Marshall, each monopolist takes account of the probable effect of his action upon the conduct of the other, and follows with a counteracting move every move of his opponents. Hence, the index is necessarily driven continuously backwards and forwards along the equilibrium locus. Under a policy of agreement, on the other hand, though the terms of agreement may be changed frequently, they will hardly be changed *continuously*. When, therefore, the equilibrium locus signifies positions reached through agreement, we have generally to do with a less fluctuating condition of industry than when it signifies positions reached apart from agreement. *Pro tanto*, this consideration suggests that a policy of agreements among correlated monopolists is socially advantageous.²

§ 5. The range and position of the equilibrium locus are not, of course, affected by the question whether it indicates positions reached through or apart from agreement. In what follows, therefore, it will be sufficient if we confine ourselves to the former

¹ Cf. Pareto's description of the procedure of a seller or buyer who does not exercise monopolistic powers: "Les prix sont modifiés effectivement par son offre et sa demande, mais c'est à son insu." (Cours, Vol. I., p. 20.)

² As Professor Marshall observes, however, there are other considerations of weight upon the opposite side (cf. *Principles*, 5th edition, pp. 494-5).

case. There is a further advantage in doing this, in that we are thereby enabled to consider only positions of exchange indices, and need not discuss directly indices of relative production. For, wherever there is agreement, some object is necessarily exchanged between the contracting parties—in the case of confronted monopolists, commodities, or ordinary services, in the case of correlated monopolists promises as to future market action. Thus the equilibrium locus with which we have to do has reference only to positions of the exchange index.

§ 6. In respect of this locus three problems present themselves for solution: first, to ascertain in any given case the position of the equilibrium locus; secondly, to ascertain whether any and, if so, what differences exist between different parts of the locus as regards the *probability* of the exchange index falling upon them; and lastly, in cases where the forces at work other than those of demand and supply are subject to control, to ascertain on what part of the locus the persons controlling these forces *ought* to place the index.

These problems can be attacked with the help of the following assumptions:—

(1) That the two exchangers are wholly insulated from, in the sense of being uninfluenced by, all other exchangers.

(2) That the one exchanger is insulated from the other exchanger in the sense that his economic conduct is not influenced in any way by the satisfaction which he conceives to be obtained by his correspondent.

(3) That the objects of exchange are wholly insulated from all other objects.

(4) That the one object of exchange is insulated from the other object in the sense that neither subject's satisfaction from the one is dependent upon his holding of the other.

(5) That the moment of exchange is wholly insulated from all other moments.

(6) That the objects of exchange are infinitely divisible.

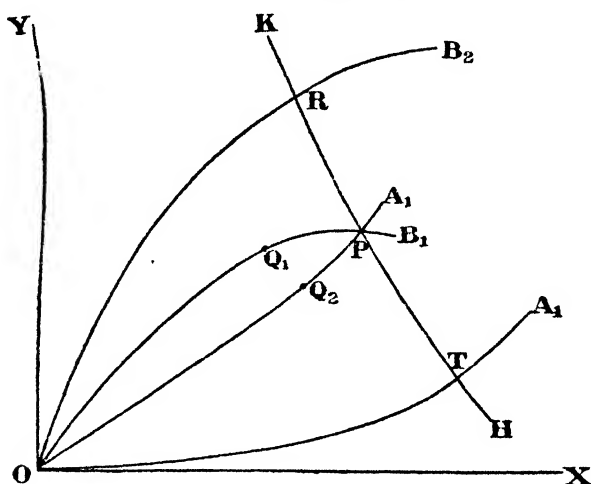
§ 7. With these assumptions we suppose that one exchanger, *A*, is exchanging a commodity, *X*, against another commodity, *Y*, possessed by a second exchanger, *B*. Then, if we are given the circumstances of *A*'s demand for *Y* in terms of *X*, and of *B*'s demand for *X* in terms of *Y*, we are able, marking off units of *X* along the axis of *X*, and units of *Y* along the axis of *Y*, to construct the following curves:—

(1) *A*'s demand curve OA_1 , and *B*'s demand curve OB_1 . *A*'s

demand curve is the locus of those positions of the exchange index at which his marginal utility (in the sense of ophelimity) in respect of the y units of Y he has purchased is equal to $\frac{x}{y}$ times his marginal disutility in respect of the x units of X he has sacrificed. B 's demand curve is constructed on the same plan.

(2) A 's indifference-curve-through-the-origin is OA_2 and B 's indifference-curve-through-the-origin, OB_2 . A 's indifference-curve-through-the-origin is the locus of those positions of the exchange index at which his total utility in respect of the y units of Y he has purchased is equal to his total disutility in respect of the x units of X he has sacrificed. B 's indifference curve is constructed on the same plan.

(3) A contract-curve, KH , being the locus of all the points



of intersection between all the indifference curves of A and B respectively.

§ 8. In respect of these curves the following positions need to be distinguished :—

(1) P is the point of intersection of the two demand curves. (It can be proved that this point must lie upon the pure contract curve.)

(2) Q_1 is the position upon B 's demand curve most favourable to A , and Q_2 the position upon A 's demand curve most favourable to B .

(3) The locus Q_1P is B 's part of the settlement locus on the demand curve, and Q_2P A 's part of the settlement locus on the demand curve.

(4) The locus RP intersected between the point P and B 's

indifference curve is *B's part of the settlement locus on the contract curve*, and *R* the position upon it most favourable to *A*; and the locus *TP* is *A's part of the settlement locus on the contract curve*, and *T* the position on it most favourable to *B*.

§ 9. As regards the appearance of this construction in the concrete, two points should be noticed:—

First: When the marginal utility of one of the objects of exchange—money, for instance—is assumed to be constant to both the exchangers, the following result emerges. All the indifference curves of either exchanger are parallel to one another, and the contract curve is a straight line parallel to the axis of *Y*. Hence, in cases where the bargain is conducted by way of contract curve, the quantity of the other commodity that is exchanged will be determinate, and equilibrium will be indeterminate only in respect of the quantity of money given in exchange for it. In terms of Professor Marshall's illustration, "by whatever route the barter may have started, equilibrium will have been found at a point at which *C* apples have been exchanged."¹ In this sense, in the above special case, the indeterminateness is necessarily less than it would be if, other things equal, the marginal utility of money were not constant. I do not know, however, that it is necessarily less, as the phrasing of Professor

¹ Marshall, *Mathematical note on barter*, *Principles*, p. 845. When the barter is conducted by a series of exchanges following one another in time, Professor Marshall shows further that the final rate of exchange—the closing price, so to speak—is a function of *C* and is thus also a constant. It is important to notice, however, that the general conclusion of the text does not depend in any way upon the barter being conducted by such a series of exchanges. It is equally valid if the whole transaction takes place at once by way of *quid pro quo*. In like manner—except, of course, as regards the "closing price," which obviously implies time—the time element can be eliminated from his discussion of the cases in which several bargainers are present on both sides and exchange is conducted on the supposition (1) that the marginal utility of money is constant, as in a corn-market, and (2) that it is not constant as in barter; it being presumed that the law of indifference is inoperative through ignorance. Fundamentally both these are cases of several monopolists on both sides bargaining by way of contract curve. In both cases the magnitude of the general contract curve, i.e., the extent of indeterminateness present, is reduced when the numbers are increased, in accordance with Professor Edgeworth's reasoning. The proportion of the contract curve on which it is probable that the exchange index will fall is reduced for Professor Marshall's reason, namely, that it is *probable* that bargaining skill will become more evenly distributed between the two sides the larger the numbers present, except, indeed, in cases where there is a biased error, as in regard to employers and employed. In the special case when the bargaining is by a series of rates in time, this implies Professor Marshall's result that the more bargainers there are, the less widely the average of the actual rates struck is likely to diverge from what he calls the equilibrium rate "because, if once hit upon, it would be adhered to throughout." (Cf. Marshall, *Principles*, Bk. V., ch. ii., and Appendix F, and Edgeworth, *Math. Psychics*, p. 42.)

Jannecone's otherwise excellent interpretation of Marshall's doctrine might suggest,¹ in the sense that the actual range of the equilibrium locus is smaller.

Secondly: The same assumption being made, when the ex-changers are, neither of them, ultimate consumers, but both producers obtaining no true rent, and when matters are regarded from such a long-period point of view that quasi-rent does not act like rent, the points Q_1 and Q_2 necessarily lie in the same vertical line, and their position is determined by the condition that the distance between them be a maximum.

A.

§ 10. Our construction being thus given, it is obvious that the equilibrium locus cannot lie anywhere except along some part or parts of the settlement locus. We have now to investigate the question along which of these parts it will in fact lie under various conditions.

It is always to A 's advantage to force the exchange index from any initial position along that one of B 's indifference curves upon which it lies until it reaches the contract curve. We have, therefore, merely to determine when it is in his power to do this.

It is in his power to do it when B consists either of an individual bargaining on his own behalf, or of a series of individuals completely insulated from one another and bargaining in this way, or of an official bargaining on behalf of a corporation that pays as a single body for its purchases—a Socialist community, for instance, engaged in the purchase of wheat. It is possible, indeed, even in these cases, that A may be induced by reasons introduced *ab extra*, such as custom or some incidental convenience, to refrain from the use of this power. The power, however, is there, and in general, therefore, the equilibrium locus does not lie along *B 's part of the settlement locus on the demand curve*, and does lie along *B 's part of the settlement locus on the contract curve*.

If, however, B is an official buying on behalf of persons possessed of independent volition, and subject to the condition that any one of them, to whom the contract agreed upon appears less favourable than no contract at all, will not carry it out, the case is different. Suppose that each of these persons controls one unit of the commodity in respect of which the bargain is made,

¹ Questioni controverse nella teoria del Barotto (*Riforma Sociale*, August 1907, p. 647).

or, to put it more generally, that each controls an amount negligibly small in comparison with the whole. In these circumstances, the bargainer, *B*, cannot agree to a *quid pro quo*. If he endeavours to place the exchange index upon the portion of the contract curve less favourable to him than a settlement at the intersection of the curves of demand and supply, the index will, by the defection of those of his constituents who are individually injured thereby, run down to some point upon his demand curve. In this case, therefore, the equilibrium locus does not lie along *B's part of the settlement locus on the contract curve*, and does lie along *B's part of the settlement locus on the demand curve*.

Propositions analogous to the above hold good in respect of *A's part of the settlement locus on the demand curve and contract curve*. Hence we obtain the following broad results:—

(1) When both exchangers are individuals or corporations purchasing goods to be used in their corporate capacity, the equilibrium locus lies along the two settlement loci on the contract curve.

(2) When both exchangers are corporations bargaining on behalf of numerous members of independent volition, it lies along both settlement loci on the demand curve.

(3) When one exchanger, *A*, is an individual or corporation purchasing goods to be used in his corporate capacity, and *B* is bargaining on behalf of numerous persons of independent volition, it lies along *A's part of the settlement locus on the contract curve*, and *B's part of the settlement locus on the demand curve*.

§ 11. A peculiar case, differing from all the above, emerges when a consolidation in dealing with a number of customers, each of whose purchases are small relatively to its total output, and who are completely insulated from one another in the sense that no one of them is able to make any transfer of the consolidation's goods from himself to any other would-be purchaser. Non-transferability of this kind can be readily made to apply to railway services and the services of credit institutions. In neither case is it easy for one whom the monopolist refuses to supply directly to obtain the commodity from him indirectly. The same property belongs in a still more marked degree to all commodities such as tramway services, water and gas, that cannot practically be separated from their single distributing plant.

When these conditions are realised, the consolidation's bargain with *each* of its customers is made as between confronted mono-

polists, and is of such a kind that a part of the equilibrium locus can, if the consolidation avails itself of its opportunities, be made to fall on that customer's part of the settlement locus upon the contract curve. But, *ex hypothesi*, each customer's purchase is small relatively to the consolidation's total output. Therefore it is impossible for these customers bargaining singly to place the exchange index upon the consolidation's part of the settlement locus on the contract curve. If the index *were* placed there, the consolidation would immediately discard some of its customers, and the index would run down a radius vector to the consolidation's part of the demand curve. Nor is this all. It is equally impossible for the exchange index to lie on any part of the consolidation's demand curve other than the intersection point between this curve and the compounded demand curve of the customers. For, if it does so lie, it will always be to the interest of customers, since *ex hypothesi* they are not combined, to increase their purchases till it moves up to the said intersection point. Hence the equilibrium locus in respect of the bargain with each customer cannot lie anywhere except along that customer's part of the settlement locus on the contract curve. In respect of the sum total of the consolidation's bargains, it cannot lie anywhere except along the customers' part of the settlement locus on their compounded contract curve. If the marginal utility of money is taken as constant, this implies that the quantity sold is determinate and equal to the amount which would be sold under free competition, but that the aggregate purchase money obtained for it is indeterminate between the amount that would be obtained under those conditions and another larger amount sufficient to absorb from them the *whole* of the consumers' surplus normally derivable from the goods.

Of the practical methods by which it is open to a consolidation to make use of the power thus accessible to it I have written something in an earlier paper published in the ECONOMIC JOURNAL. The most important are (a) discriminating prices and (b) the large packet system, under which the minimum saleable unit of the commodity is made larger than considerations of technical convenience dictate. The practical difficulties confronting attempts to employ these methods are examined in the paper referred to.¹

¹ Cf. Monopoly and Consumer's Supply, ECONOMIC JOURNAL, Sept. 1904. The Post Office, for example, could hardly maintain its discrimination in favour of long distance letters unless it were "protected by its statutory monopoly from the competition of half-penny town posts for its most profitable business." (Aeworth *Railways*, p. 59.)

§ 12. We have next to consider the conditions upon which the *range* of rates of exchange covered by *A*'s and *B*'s parts of the equilibrium locus depends. The greater the range on *A*'s part of the locus, the more unfavourable to *A* is the most adverse rate of exchange that it is possible for *B* to inflict upon him, and the case is similar with regard to *B*'s part of the locus. The following propositions can be demonstrated, *if it is assumed that the marginal utility of one of the objects of exchange is constant to both exchangers.*

First, if, under given conditions of demand, *B*'s (or *A*'s) part of the equilibrium locus is situated on the contract curve, its range is larger than it would be if, under the same conditions, it were situated on the demand curve. This proposition is easily proved. For *A*'s indifference curve through Q_1 must fall upon *B*'s part of the (pure) contract curve; and, since a radius vector can only cut an indifference curve once, the radius vector through Q_1 must strike the contract curve at a point nearer to *P* than that at which the said indifference curve strikes it.

Secondly, the range of the two parts of the settlement locus depends upon the elasticities of the two demands. In respect of the parts of the settlement locus on the demand curve, this problem is investigated in my *Industrial Peace*. The conclusions there reached were as follows: The range of *B*'s part of the settlement locus is greater the smaller is the elasticity of the relevant parts of *B*'s demand curve and the greater is the elasticity of *A*'s demand curve.¹ In respect of the part of the settlement locus on the contract curve, it is easily proved that the range of *B*'s part is greater the smaller is the elasticity of *B*'s demand curve at any point to the left of the point at which the two demand curves intersect. For, if, in our construction, the equation to the demand curve is $y = \phi x$, and to the indifference curve through the origin $y = \psi x$, $\psi x = \int_0^x \frac{\phi x}{x} \cdot dx$. Hence, when an assigned value a is given to x , ψx is greater the smaller is $\phi'x$, and $\phi'x$ is smaller the smaller is the elasticity of the demand curve. The elasticity of *A*'s demand curve is in this case irrelevant.

Thirdly, in the special case in which one of the bargaining monopolists is not an ultimate consumer but a seller to consumers, the range of the two parts of the settlement locus varies according as this monopolist does or does not exercise monopolistic power against the consumers. The bargaining

¹ Cf. *Principles and Methods of Industrial Peace*, p. 216.

monopolists are supposed to be of the pattern of a Federation of employers and a Trade Union of workpeople, each bargaining in behalf of members who are at liberty to refuse individually to contract on the terms obtained, with the result that the contract is made altogether by way of demand curve.¹ After a time a change is introduced of such a kind that the Federation of employers becomes a consolidation wielding a unilateral monopoly against the consumers of its product. How does this change affect the wage possibilities open to the workpeople?

This problem must be solved in two divisions. It is necessary to analyse the effects; first, of the federation becoming a consolidation, apart from its new monopolistic power against consumers; secondly, of this new monopolistic power, apart from the fact of consolidation.²

The effect of consolidation by itself is simple. It renders it theoretically possible for the workpeople to bargain effectively by way of *quid pro quo*. If they avail themselves of this opportunity, the equilibrium locus ceases to occupy the two parts of the settlement locus on the demand curves, and occupies instead the workmen's part of this locus and the employers' part of the settlement locus on the contract curve. This change, as just proved, expands the Federation's part of the equilibrium locus, and is thus a clear strategic gain to the workpeople.

The effect of the new monopolistic power is more difficult to analyse. If x represents the numbers employed, and p the price, we find that, whereas the old demand curve for labour was represented by an equation of the form

$$p = \phi x,$$

the new is represented by an equation that affords the maximum value to $(\phi x - p)x$, namely the equation

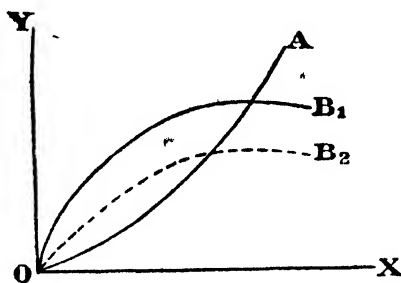
$$p = \phi x + x\phi'x.$$

Hence if, in the construction employed in this chapter, the

¹ Cf. *Principles and Methods of Industrial Peace*, p. 211. I have argued that in practice this last case 'in general embraces wage contracts between Trade Unions and Associations of Employers. I added, however, in qualification: "If the combinations were so organised that their chief officers had the power, and could be induced by pressure from the other party, to subsidise or maintain at work individual firms or workmen, whom independent self-interest would drive from the trade, they would not differ in any way from pure monopolists" (p. 211). It should be noticed that the theory requires the individual firms comprised in the employers' association as well as the individual workmen in the Union to be small relatively to the whole body.

² Professor Clark's treatment of the problem is, in my opinion, invalidated by his failure to draw this distinction. Cf. his *Essentials of Economic Theory*, p. 465.

Federation's demand curve for labour before its access to monopolistic power be represented by OB_1 , and after that access by OB_2 , it is obvious that OB_2 must lie below OB_1 . In cases where it is legitimate to ignore the second and further differentials of the function contained in the preceding equation, it can be proved that the equilibrium locus will, as a whole, be diminished



in range. In all cases it can be proved that the locus will be affected in a fashion markedly adverse to the interests of labour. For, in its new position, a certain number of rates of pay lower than any that it embraced before must be included in it, and a certain number of the highest rates embraced before must be extruded. Both these aspects of change involve strategic injury to the workpeople.

The question, therefore, how the introduction, not of consolidation singly or of monopolistic power against consumers singly, but of *consolidation including monopolistic power*, affects the wage possibilities of the workpeople has a different answer according as those workpeople do or do not avail themselves of the opportunity afforded them to sell their work in bulk, thus forcing a contract by way of *quid pro quo*. If they do this, their wage possibilities are improved; if not, they are injured. As a matter of practice, of course, Trade Unions have not hitherto been equal to the difficult task of making—not to say enforcing—a *quid pro quo* bargain.¹

B.

We may now pass to our second problem. Given the conditions of demand and supply and no other data, to determine the *probability* that the index will settle at one or another point within the equilibrium locus. The solution of this problem involves the

¹ It appears, therefore, that Professor J. B. Clark is right when he asserts that "with employers in a great consolidation the possible advance of wages is at its maximum," but wrong when he implies that this can also be asserted of the probable advance. Cf. *Essentials of Economic Theory*, p. 365.

determination (a) of the most probable position, and (b) of the range within which it is more probable than not that the index will fall.

§ 13. Suppose, first, that we know nothing of the other forces in operation besides those of demand and supply. We have then no reason to suppose that these other forces will be distributed more advantageously to one monopolist than to the other. If, however, they had been distributed unequally, there is some presumption that we should have noticed the fact. Therefore it is most probable—provided, of course, that we have fair acquaintance with the general conditions prevailing—that they are distributed equally. If, however, these forces are distributed equally, the most probable result of their conflict is that result—provided such a result exists—which both contestants consider *drawn*.

The question what result *may reasonably* be considered drawn has been discussed in a very interesting manner by Professor Jannacone in his article on *Questioni controverse nella Teoria del Baratto*.¹ Should a contest be called drawn when the aggregate satisfaction which the two parties obtain from the transaction is equal (*punto del massino di equaglianza*); or when the rate of exchange agreed upon is half-way between the two extreme rates represented upon the equilibrium locus? It is not easy to make any one of several alternatives appear more plausible than any other. Nor does this exhaust the difficulty. Suppose that the last alternative—that of a rate midway between the possible extremes—is adopted; what, precisely, does this signify? If it would just have paid *A* to accept 5 *x* for 1 *y*, and *B* to give 10 *x* for 1 *y*, it seems obvious at first sight that the middle rate is $7\frac{1}{2}$ *x* for 1 *y*. Is this, however, really more defensible than the different result, $\frac{1}{2}(\frac{1}{5} + \frac{1}{10})y$ for 1 *x*? Is it not rather the case that these two rates have equal claims to be regarded as the middle one, and that either can be made to appear obvious by the adoption of suitable units?² All this kind of discussion is, however, from our present point of view, of academic rather than of practical interest. For I conceive that, in actual contests, such as wage contests, there is, as a rule, some definite rate, which, whether they ought to do so or not, both parties do, as a matter of fact, consider to represent a *draw*. This rate will, I imagine, generally be that “middle rate” which happens to present itself as obvious in

¹ In *La Riforma Sociale* for August 1907.

² The emergence of this difficulty in the present connection was pointed out to me by Mr. J. M. Keynes, to whom I am indebted for several criticisms upon the draft of this article.

regard to the particular scale units that are being employed. No doubt, in the special case when the equilibrium locus is made up of *A*'s part of the settlement locus on the demand curve, and *B*'s part of the settlement locus on the contract curve, this solution is not altogether satisfactory, because, whereas a rate on *A*'s part is merely a rate, one on *B*'s part is a rate coupled with a power enjoyed by *A* to fix the amount sold. In this case, therefore, the contestants would probably agree that a drawn contest was more properly represented by a rate somewhat nearer than half-way to that afforded by the extreme point of *B*'s part of the locus. This case is, however, rare in practice. In general a drawn contest means splitting the difference between the two extreme rates embraced in the equilibrium locus.¹ This intermediate rate, therefore, as constituting the result which equality of force on the two sides would be likely to bring about, in general represents the most probable position of the exchange index.

The most probable position being given, the measure of probability attaching to the other possible positions can be represented by a series of ordinates, symmetrical on both sides of the ordinate representing the greatest probability, and diminishing as the points to which they refer become more distant from the most probable position, in such wise that the two extreme points of the equilibrium locus are represented as the least probable positions of the index.

These results, however, though valid, are of very little practical utility. For, if we are entirely ignorant of the forces that determine the position of the index within the equilibrium locus, the measure of probability attaching to our most probable position, derived as it is from the mere presumption that inequality of force on the two sides would have been noticed, differs from the measure of probability attaching to even the least probable of the other points by an amount so small as to be scarcely appreciable. Practically speaking, we have to admit that, when our ignorance is as great as is here supposed, no one point on the equilibrium locus is appreciably more likely than any other to be the seat of the exchange index.

§ 14. Secondly, suppose that our acquaintance with the causes influencing the position of the index is increased in such wise that the *relative personal situation* of the contestants is known

¹ If the demand and supply curves are symmetrical, the difference is split when the index falls at their intersection.

to us, but certain other causes which we may vaguely term the *accidents of circumstance* are unknown.

The factors determining relative personal situation include comparative strength of character, capacity, and other personal qualities; comparative wealth, under which is involved ability to endure a conflict such as a strike or a rate-war without bankruptcy; comparative opportunity to obtain, voluntarily or under compulsion, aid from others, such as contributions of funds, a strike in sympathy, a boycott of the enemy by consumers, the exercise of pressure upon him by some financial ally of our own; comparative solidarity, whereon depends the possibility of discriminations in time or place designed to ruin opponents *seriatim*; and, lastly, the attitude of the law towards the employment of various methods of "clubbing."¹

Relative personal situations being known, the most probable position of the index within the equilibrium locus is that position which it would occupy if, outside the forces of demand and supply, the personal situations of the contestants were the only causes in existence. When the personal situations are equal, this position is that of drawn contest; when they are unequal, it is some point on the part of the equilibrium locus favourable to the stronger contestant, and lying further along that part the more unequal the situations are.

As in the former case, the measure of probability attaching to the other possible positions of the index is represented by a series of ordinates symmetrical about the one representing greatest probability, and diminishing as the points to which they refer recede from the most probable position. If this position is that of drawn contest, the probability that the index will fall at one extremity of the equilibrium locus is equal to the probability of its falling at the other; but, if the most probable position is not that of drawn contest, this is not so.

The main difference, however, between the present case and the preceding is in the degree of probability attaching to our probable results. The difference in probability between the most probable and the least probable position is in most cases increased—or, more generally, the probable error involved in treating the most probable position as the true position is diminished.

§ 15. Lastly, suppose that in addition to the knowledge

¹ It may be noticed that, if the law does not intervene, it is just those new competitors of a large producer who are most efficient and therefore most useful to the public, that, as being most dangerous to the said large producer, are specially likely to be victimised.

assumed in the last section, we* also have knowledge of the relative importance of personal situations and accidents of circumstance in determining the position of the exchange index. In this case we are able, not merely to say that the probable error involved in treating the most probable position as the true one is less than it would be under conditions of complete ignorance, but also in a rough way to *measure* this probable error. We can indicate a portion of the equilibrium locus within which the chances are even—or any other assumed ratio—that the exchange index will lie. We cannot, of course, effect this measurement with anything like statistical accuracy, but we can say something in a general way. The probable error is in most cases smaller, and the *probable equilibrium locus*, so to speak, narrower, the less important accidents of circumstance are relatively to personal situations.

C.

§ 16. There remains the problem of determining, in cases when the forces at work other than those of demand and supply are subject to control, on what part of the equilibrium locus the persons controlling these forces *ought* to place the exchange index. *Prima facie*, the answer can hardly be other than that given by Professor Edgeworth—namely, the point of maximum aggregate satisfaction present upon that locus. In the special case in which the marginal utility of one of the objects of exchange is both constant and equal for both exchangers aggregate satisfaction is the same at all points on the contract curve. In this case, therefore, there is no one point of maximum satisfaction, and, for bargains by way of contract curve, Professor Edgeworth's rule fails to give practical guidance. In general, however, there is one point on the equilibrium locus such that, if the exchange index is placed there, aggregate satisfaction is greater than it would be for any other position of that index. This point does not in general coincide with the most probable position of the exchange index. It is, however, likely, particularly if the conditions are such that the most probable position is that of drawn contest, to lie nearer to that position than it does to either of the two extremes of the equilibrium locus.¹

When the curves of demand and supply in which the equilibrium locus is involved are permanent and fixed, this reasoning appears to be conclusive. When, however, they are temporary and variable, account must be taken of the fact that whatever rate of exchange is established at one time will, by exercising a repel-

¹ Cf. Edgeworth, *Math. Psychics*, p. 55.

lent or attractive influence upon*outsiders, affect their form and position at future times. Hence, the point on the equilibrium locus that will make for maximum aggregate satisfaction for the moment does not in general also make for it in the long run. I have argued elsewhere that the complete utilitarian end is, as a rule, best promoted by a series of settlements at the points at which the demand curves of the two organisations from moment to moment intersect.¹

A. C. FIGOU

¹ *Principles and Methods of Industrial Peace*, Part II., ch. ii.

GAPS IN OUR FACTORY LEGISLATION.

THE following suggested amendments and additions to the Factory Act do not, of course, represent the whole difference between the actual and the ideal, between that which is and that which ought to be. If an enlightened Government in a new country, with industries as yet undeveloped, were to have a free hand in determining the conditions under which employment should be carried on, unhampered by custom, prejudice, or poverty, it could construct, and hope to enforce, a much more advanced and generous scheme, and be it observed, there is little doubt that such legislation would be, not only advantageous to the health of the people, but a powerful aid towards industrial efficiency. There is a great mass of evidence which tends to show that labour carried on for comparatively short hours, under the best sanitary conditions, and for high wages, eliminating the competition of child labour, is very much more productive than is the work of sweated industries, where the opposite conditions prevail. Further, it is evident that a country in which such a high standard of conditions could be maintained would enjoy an enormous advantage over its commercial competitors from the diminution of poverty, disease, and pauperism, which would be its reward.

Our position in England is very different. Factory legislation had its small beginnings in the early nineteenth century, at a time when industry was already more or less demoralised by unregulated, one might say anarchic, competition, when child labour was recognised by custom and even approved by philanthropy, and capital had established a sort of prescriptive right to the utmost exploitation of labour. No statesman at that time could dare to dream of a large constructive scheme of social reform—the very poverty of the people would have made such an idea impossible. All that was attempted was to set limits to competition in its worst excesses, to prevent the night work of

children, for instance, and to restrict their hours of labour. Even these measures, tardy and inadequate as they seem to us, had a great deal of prejudiced opposition to meet. The roots of custom and habit are hard to disentangle in an old country like ours, and the reformer has perforce to content himself with progress step by step, ever dogged and hindered by the knowledge that the greatest obstacle to progress is that very poverty of the people that he is working to diminish. We may be perfectly convinced of the soundness of the economic argument that long hours and insanitary conditions diminish efficiency, and, therefore, in the long run, tend to keep wages low, but we cannot entirely put aside the reflection that a higher standard of requirements will perchance lessen the earnings of the already underpaid, or even throw them out of work, at the moment. Factory legislation has never aimed at more than the redress of the abuse most clearly perceived at a given moment. It has in this way, however, progressed from small beginnings until at the present day it forms, not, indeed, the comprehensive scheme of race preservation indicated above, but at all events a very substantial measure of protection against the manifold dangers incidental to industry, dangers from which "the labourer," to use the vague generalisation of the classical economists, is usually either by age, sex, ignorance, or economic dependence, not capable of guarding himself or herself. Our social reform is a process of becoming rather than of being. The individualist asks despairingly, "Where are we to stop?" The answer must be, "Certainly not yet." Opportunist methods and piecemeal reform are the English tradition. Consequently the work, like women's work, "is never done." The subject of the present article is merely to point out the next steps. We may separate the subject-matter as follows: (1) Duration of work; (2) Health and safety; (3) Payment of wages.

(1) As regards the hours of work, there is a growing feeling that these are too long, especially for growing girls. The period of employment under 1 Edw. VII. c. 22 is for women and young persons (*i.e.*, boys and girls from 14 to 18) 12 hours, with intervals for meals which must be not less than $1\frac{1}{2}$ hours in non-textile factories and workshops, and 2 hours in textile factories. This means that any girl of 14, or of 13, who has passed the educational requirements in force, may work "round the clock," *i.e.*, from 6 to 6, 7 to 7, or 8 to 8. When I have put the matter thus in addressing meetings of ladies not familiar with the subject, I have sometimes been met with an incredulous look, and the

objection, "I thought the Factory Act had altered all that." It certainly is somewhat remarkable that a century of legislation has done no more for these young growing girls, who, at a peculiarly critical and important age, may still be employed for hours longer than most men consider a proper working day for themselves. Shorter hours for all protected workers would seem to be an appropriate measure of relief. It may be remarked that in non-textile factories it has for some time been customary not to work the full legal hours. About nine hours is the rule, for instance, in the Birmingham brass works; an employer in this trade once very kindly explained to me in detail how it was that he found it actually had economy to keep going more than nine hours, because the girls could not keep their attention fixed longer, made more "scrap" and wasted material. This seems to be commonly recognised in metal work, pottery, &c., but for some obscure reason textile factories customarily work the full legal hours—10 per day. Now it is important to remember that these hours mean more work and more fatigue than they did when the normal day was first introduced 50 odd years ago. The speeding up of machinery has increased the strain, and even as long ago as 1872 shorter hours were agitated for by the trade unions. In the following year Dr. Bridges and Mr. Holmes were instructed by the Local Government Board to hold an inquiry as to the health of women and young workers in textiles. They reported, after taking a considerable quantity of evidence, that since the passing of the Act of 1847, the strain on the workpeople had certainly increased, *i.e.*, each operative had a larger amount of machinery to attend to; the machinery was driven at greater speed; the practice of giving overlookers and foremen a premium on the work done impelled them to exact steadier and harder work than formerly. The Act of 1874, however, merely required an additional half-hour for rest and meals daily. In the intervening period the strain has undoubtedly increased. One of H.M.'s inspectors tells me that "both in cotton and woollen the strain of the full hours with speeding up is almost intolerable to the less robust women and girls." Miss Anderson, Chief Lady Inspector, stated before the Physical Deterioration Committee that in her opinion the legal hours were too long—"longer for women than men would stand in their own organised industries" (Evidence, q. 1,498). Her Memorandum, included with the Committee's Report, should also be studied in this connection. Dr. Oliver, in considering the subject of "speeding up," writes: "That there is greater strain upon the nervous system, more

exhaustion, and consequently need for greater leisure, few will deny, and that in many instances the hard work induces premature old age goes without saying. Will this speeding up tend to make female mill-workers better mothers and help them to give birth to healthy and robust children, or to infants who are puny, ill-nourished, and of a highly-strung, nervous system? . . . There is a limit beyond which the speeding of machinery cannot be run without detriment to the health of the operators, unless their hours of work are materially shortened."¹ The extreme monotony of factory work is in itself a cause of strain. This was noted by Dr. Bridges and Mr. Holmes in the report already quoted (p. 43), and has more recently been observed by Miss Vines (see Factory Inspectors' Report for 1904, p. 260).

But although the textile factories customarily work up to the full limit of the legal hours, it has to be noted that they are by law better regulated than the non-textile factories. In the former, work may not be continued by a child, young person, or woman for more than $4\frac{1}{2}$ hours without a break. In the latter the spell may be, and frequently is, 5 hours. Taking into consideration the hurry and pressure under which modern industry is carried on, this is too long a spell. Another grievance is that the pause for a midday meal is frequently too short. An hour's interval must be allowed before 3 o'clock p.m., but this hour may be divided, half an hour taken perhaps before beginning work (8.30 instead of 8), and only half an hour need then be allowed for dinner. The results of so inadequate an interval after a long morning's work are considered by Miss Anderson to be very serious. This restriction of the dinner-hour appears to be a common custom in the London dress trades, and accounts for much indigestion, anæmia, and sickly looks noticeable among the young women working in these trades.

Another highly desirable reform in regard to hours of work would be the abolition of overtime. This has been consistently advocated by the trade unions, especially by the Women's Trade Union League, for many years. Overtime has been made illegal for young persons in all trades, and also for women in textile, and in some non-textile, industries. Exemptions are still permitted in industries in which the nature of the employment is supposed to require elasticity, as, for instance, the making of wearing apparel, Christmas presents, &c., &c. The workers in these employments are thus liable to be kept for very long spells of work at certain seasons. Considering how long the daily hours under the

¹ Oliver, *Diseases of Occupations*, p. 3.

Factory Act still are, it appears utterly unreasonable to require overtime as well. A master once said to me, "In nine hours the girls have done as much work as it is in them to do." The permission of overtime is simply a premium on irregularity and bad organisation. Permission to make up "lost time" and work overtime used to be granted in the textile industry, but it has gradually been recognised as a source of weakness, the exceptions have been shut off one by one, and the "normal day" has become more and more the standard. The trend is unmistakably towards the prohibition of overtime, and the sooner the better, if we value the health of working girls and women.

It is necessary to remark here that even if the working day is reduced by one hour, and overtime prohibited, the state of things is still not satisfactory in regard to young workers. A full day's work, whether 10 hours or 9, ought not to be required of a boy, still less of a girl, of 13 or 14. The question is a difficult one, because, as most people now know, the organisation of a textile factory (possibly of other factories) involves a subdivision of labour, which renders the elder and more skilled workers dependent on the co-operation of the younger and less skilled. The spinner cannot work without his "piecer." This difficulty might perhaps be got over by raising the age of half-timers to 16. If this operated as a discouragement on the employment of young workers, it might, on the other hand, tend to increase the demand for the labour of adult women, and raise their wages. One of H.M.'s inspectors tells me that the present tendency is to employ girls rather than women, which has the effect of depressing piece rates. From the social point of view, adult workers should be preferred. May not some of the high infant mortality of the cotton towns be due to the overstrain of women in their early life, before maturity?

(2) In regard to improving the regulations for health much might be said, did space permit. It is a singular fact that with all our national pride in cleanliness, the Factory Act includes no provision in regard to washing appliances, save for certain specified dangerous trades. In France this provision is required in factories and workshops generally; English law apparently regards wash-basins, soap, and towels as an expense only to be justified when deadly peril, such as lead or phosphorus poisoning is involved. In a recent report, Miss Anderson says that the need for washing appliances is increasingly felt among women and girls (surely a hopeful sign), and has a moral and social, as well as a hygienic, value. The girl who is contented to go home dirty and

unkempt from the long day's work is not the most self-respecting of workers. Even in cases where the work is specially hot and dirty (is not most work more or less hot and dirty?), the lady inspectors have no power to do more than advise this provision, which one would expect the ordinary self-respect of employers to dictate. Miss Anderson says that employers will complain to her of the roughness or carelessness of the young women they employ, yet do not realise how extraordinarily "rough, primitive, and uncivilised" are the surroundings in which too often they place their employees, or how closely these phenomena are related. It is pleasanter to read that the same observer has often noted with surprise and admiration the efforts working women will make, in the face of the greatest difficulties, to turn homewards with a neat and cleanly appearance. The Chief Inspector has said that washing accommodation has a civilising influence, and he has rarely known such provision to be unused or despised. Probably no class in any society takes such an open and almost childish pride in the habits that promote physical health and refinement as the English wealthy classes. Might they not occasionally ask themselves what are the conditions in the houses from which they draw their rents, the factories from which they draw their profits, or the industries in which they invest their capital? Much is done by the best employers, and the law might surely try to awaken the sleeping conscience of the worse.

Another important point in regard to health is the medical inspection of young persons to ascertain their physical fitness for work or for special kinds of work. This is already done for children on entering the factory, and the inspectors have power to require the certifying surgeon to make a re-inspection of young persons under 16. It was represented to the Physical Deterioration Committee that this re-examination might properly be made general and compulsory, and extended to all young workers under 18 or even 21. Dr. Scott pointed out that some boys, who might be fully capable of useful work, were yet too slow-witted to deal safely with machinery, and might be the cause or the victim of horrible accidents. The same gentleman strongly urged the medical inspection of boys before working in coal mines, and the abolition of half-time for children. He considered that boys who came straight from school to work at 14 made better and more capable and regular workers. Another observer, who has recently visited a good many factories on business, has told me he was greatly struck by the fact that the employment of children seems to be dying out in the best conducted factories, and to linger on in

those which are most crowded, worst ventilated, and altogether precisely the most undesirable for children to be in.

Among other provisions for health which are still not required by law, but are urgently needed, their absence forming the subject of many complaints to the women inspectors, are the provision of mess-rooms; these are chiefly needed in large works, and might be dispensed with in small workshops or where there are facilities for meals accessible in the immediate neighbourhood. It is important that mess-rooms should be under the supervision of the inspector, instead of, as now, outside it. Cloakrooms or provision suitable for outdoor garments are also highly necessary, many workers having a long walk and arriving wet through in bad weather. The provision of adequate light in workrooms is a singular omission from the law. One of the lady inspectors writes to me that some provision is necessary to ensure that both by day or artificial light all workers should have sufficient and properly placed light on their work. An inadequate or badly-placed arrangement causes straining of eyesight, stooping or twisting of shoulders, headache, not to mention more terrible dangers from machinery worked in shadow or in an uncertain fitful light. The lighting of staircases, passages, yards, and sanitary conveniences is also necessary both for physical and moral reasons.

In regard to one of the most important of the Factory Act provisions for health—namely, the prohibition of work after confinement—it is not possible here to say much, as the adequate discussion of it would take us outside the subject of the Factory Act. Every competent person is agreed that the prohibition of work for one month is altogether insufficient, but everyone also knows that the poverty of the women themselves is the most frequent cause of breaches of the law, and in default of some system of national insurance or compensation for the expenses of maternity, it is difficult to see how the period of unemployment can be extended. One useful amendment, however, could be made in the existing law, and that is the deletion of the word “knowingly.” At present the employer can escape a fine if he can show that he did not know, or could not be expected to know, that the woman had given birth to a child within four weeks. It has actually been decided in a court of law that an employer which is a company cannot have cognisance of such a fact, and, therefore, is not liable to a fine for employing the woman in such circumstances (see Report for 1904, p. 273). It is extremely difficult for the inspectors to get a

conviction under this section, even when the offence is practically certain. Other useful provisions would be to require that the occupation of mothers be returned in the registration of the deaths of infants, and to require mothers to produce a medical certificate on returning to work. But the main question is an economic one, which cannot be dealt with under the Factory Act alone.

The carrying of heavy weights by women and young persons is frequently mentioned by H.M.'s inspectors as being highly dangerous to health. Of all uses to put a woman to, surely that of beast of burden is one of the most repugnant and inhuman. Some provision could surely be made to check the practice, which in the case of children has been forbidden by the Act of 1903. The enforcement of similar regulations in the case of women and girls would result either in the increased employment of men or in the more extended use of labour-saving appliances, as trolleys, &c., either of which would be far better social economy than the overstrain of these poor women, often bearing the triple burden of mother, wife, and industrial worker.

Miss Anderson has stated that in her opinion it is possible to conduct factory labour in such a manner as to involve no harm to health whatever. The conditions that injure health, as, for instance, the quantity of dust generated in certain processes, are not essential to any employment, but admit of a remedy if due scientific means are used. It is interesting to recall that about 90 years ago Sir Richard Arkwright described to Peel's Committee the means he used to prevent dust in the process of cleaning cotton, and said there need be no dust. Miss Anderson told the Physical Deterioration Committee that among the causes adverse to health in industry were dusty processes, extremes of temperature, and working in a damp atmosphere. There has been a great improvement in the application of exhaust ventilation to the removal of injurious dust and in remedies for defective structural conditions, but much yet remains to be done. There seems to be a general opinion among experts that progress now lies in the direction of raising the general standard of hygiene, by means of cleanliness, ventilation, and light, the maintenance of proper space between machines and between the workers employed, freedom from dust, and control of temperature, all of which conditions are now felt to be more important on the whole than the adoption of specific precautions for dangerous trades.

(3) In regard to wages, no discussion can here be attempted of the proposed law *re* wages boards, which would demand an article to itself, though I may perhaps be allowed to say in passing

that I regard the extreme poverty and underpayment of large classes of workers as the main evil of their condition, and fully believe that Factory Acts and Public Health Acts, valuable as these are, cannot adequately protect workers who are too underpaid to combine together for the enforcement of the law. But the present law as to payment of wages undoubtedly needs strengthening. The Women's Trade Union League has for many years demanded the abolition of fines and deductions. Miss Clementina Black, in her book, *Sweated Industry* (p. 41 *et seq.*), tells us how fines, which the outsider might innocently suppose to be instituted as a means of preserving discipline amongst giddy young workers, are actually a profit-making device among low-class employers. Miss Black quotes wage-books in which fines and deductions amounted to a sum varying from 10 to 30 per cent. of wages. In another case workers were charged rent for their place in the factory. In others charges are made for use of machines, or even for cleaning the workroom, one ingenious employer paying 15s. to the scrubber, while the pence collected from the workers amounted to twice that sum. Some charge for hot water to make tea, and it can be easily seen that even a small charge of this kind, when put upon a number of workers, would bring in a sum much in excess of the cost of water. Deductions for spoil work are often grossly unfair, as with jam and preserve making, where one or two jars in a few hundreds are sure to crack with the heat. The unlucky girl who chanced to wash the cracked jar will be charged for damage she is probably entirely unconnected with, and may even be made to pay the selling price of the pot of jam. Other deductions are inflicted for punishment; and of these Miss Black tells a significant story. One of the best employers who have come within her observation said, when questioned on this head, "If I could not run a factory without fines I should be ashamed to run one at all." Another employer of a very different stamp defended himself against a charge of excessive fining by asserting that, without fines, his factory would be a "bear-garden." Comment is superfluous. Perhaps the worst kind of fine is that used by employers who deduct a surplus from those piece-workers who make up a total rather better than usual. I have myself been told by a girl in reference to a certain factory: "It doesn't do to work too well there—they cut you down directly." Miss Black mentions a factory where the foreman deducts 1 or 2 shillings from the week's payment if he thinks the girl entitled to it has "earned too much." Can anything more demoralising than such a system be imagined? Fines

and deductions should be abolished, and the "Particulars Clause," which provides that the worker shall be made fully acquainted with the piece rates he or she is working for, needs extension to all piece-work trades. In isolated cases employers in industries not under the clause have voluntarily adopted it, showing that they realise the advantage of having a fair and above-board agreement. Legislation is also necessary to bring out-workers more completely under the Truck Acts, the decision of the High Court in *Squire v. The Midland Lace Co.* having unfortunately placed outside the protection of the law a large class of needy workers.¹

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¹ See report on the Truck Acts in the *Factory Inspector's Report for 1906*, p. 239, and a report of the above case in the *Factory Inspector's Report for 1904*, p. 281. The Court stated that it gave its decision reluctantly and recommended amendment of the law.

THE EQUALISATION OF RATES IN LONDON.

IN the year 1907-8 the rates levied by the different Borough Councils varied from 6*s.* 3*d.* in St. Anne's and St. James's, Westminster, to 10*s.* 8*d.* in Bromley, Poplar. The anomalies become more apparent if we deduct the rate raised in respect of expenditure borne centrally, and consider only the rate which represents expenditure borne locally. This local rate is, in St. Anne's and St. James's, 1*s.* 2*d.*, and in Bromley 5*s.* 0*d.*, the rate in the second case being more than four times the rate it is in the first. The amazing difference between the two challenges attention and demands explanation. In considering the matter a little more closely, it is desirable to take not a single year, which may represent an abnormal state of affairs, but the average of four years. I have selected for this purpose the average for the four years 1901-2 to 1904-5, and I have chosen these particular years because the calculations involved have been made by Mr. Harper, the Statistical Officer of the London County Council, in reports submitted to that body. In order to avoid a needless multiplication of figures, I shall confine the discussion to four Boroughs : Poplar and Bermondsey, where the rates are highest ; and Paddington and Kensington, where they are lowest. I have excluded the City and Westminster because they can neither be said to present a picture of normal Boroughs.

The average local rate for the four years in each of the Boroughs is :—

Poplar	4 <i>s.</i> 7 <i>d.</i>
Bermondsey.....	4 <i>s.</i> 2 <i>d.</i>
Paddington	1 <i>s.</i> 9 <i>d.</i>
Kensington	1 <i>s.</i> 5 <i>d.</i>

One reason for this disparity may be found in the difference of assessable value per head of population. In a district mainly inhabited by the rich this figure will be high, while in a district mainly inhabited by the poor it will be low. For the four

Boroughs the assessable value per head is, in pounds, as follows :—

Poplar	4·8
Bermondsey	7·1
Paddington	9·8
Kensington	12·7

It will be seen that low rates and a high assessable value, and high rates and a low assessable value, go together. This, in general, is true of the other Boroughs. In the eight Boroughs where rates are lowest (excluding the City and Westminster), the average assessable value is £10 1s., while in the eight Boroughs where rates are highest, the average assessable value is £5 4s., little more than half. If the assessable value per head were the same in the four Boroughs, and if that value were the value for Kensington, the local rates would be :—

Poplar	1s. 9d.
Bermondsey.....	2s. 4d.
Paddington	1s. 4d.
Kensington ...	1s. 5d.

while if that value were the value for Poplar, the figures would be :—

Poplar	4s. 7d.
Bermondsey.....	6s. 2d.
Paddington	4s. 0d.
Kensington	4s. 3d.

On the assumption of equal assessable value the variation in local rates would, to a great extent, disappear; difference of local rates is thus associated with a difference of assessable value.

But there are other factors which must be considered. A district with a low assessable value is a district largely inhabited by the poor, and where there are many poor we must expect a larger expenditure to be incurred by the Boards of Guardians than where there are few. The poor rate for the four Boroughs is :—

Poplar	2s. 6d.
Bermondsey.....	2s. 5d.
Paddington	0s. 3d.
Kensington	0s. 5d.

It may be urged that the Poplar and Bermondsey Boards of Guardians are extravagant, especially as regards outdoor relief, and no doubt this is, to some extent, true; but in the famous St.-George's-in-the-East the Guardian rate was 2s. 1d., and in Whitechapel 1s. Under any circumstances, therefore, a district

with a low assessable value must expect to be burdened with a heavy expenditure on the relief of the poor.

The other factor in the local rates is the expenditure of the Borough Councils. For the four districts this was :—

Poplar	2s. 1d.
Bermondsey.....	1s. 9d.
Paddington	1s. 6d.
Kensington	1s. 0d.

There is here no such striking difference as was found in the case of the Boards of Guardians. But the two rates stand on a different footing; the expenditure of the Guardians benefits only those in receipt of some form of relief, while the expenditure of the Borough Councils benefits all members of the community. Further, while the poor must be provided for somehow, it is possible for Borough Councils to neglect their duties in the way of necessary expenditure without raising a popular outcry. It is, therefore, important to ascertain the Borough Council expenditure per head of population. It might be expected on general considerations that, where the necessary services are efficiently carried out, there should not be any great difference between one Borough and another in expenditure per head. For in districts largely inhabited by the poor, the expenditure per head on public health, baths and wash-houses, and the like, would be higher than in wealthy districts, while the opposite would be true of expenditure per head on lighting and streets, and the excess of the one would compensate for the deficiency of the other. The average expenditure of the Borough Councils per head of population for the four years is :—

Poplar	9s. 0d.
Bermondsey	12s. 0d.
Paddington	14s. 0d.
Kensington	12s. 7d.

It must be borne in mind that this is the average of the actual expenditure, while the rates are levied to meet expenditure arrived at after the application of certain equalisation funds. Apart from Poplar, the differences are not very large, and in respect of Poplar we should remember that its assessable value per head is very low, and there is, therefore, every inducement to keep down expenditure. This conjunction of low expenditure with a low assessable value, and of high expenditure with a high assessable value, will become more marked if we compare the four districts which have the lowest expenditure with the four

districts which have the highest, excluding, as before, Westminster and the City :—

	Expenditure per head.	Assessable value per head.
Deptford	4s. 1 <i>d.</i>	£ 5·5
Bethnal Green	4s. 7 <i>d.</i>	£ 4·1
Mile End Old Town	5s. 11 <i>d.</i>	£ 3·8
Stoke Newington	6s. 4 <i>d.</i>	£ 6·6
Chelsea	14s. 11 <i>d.</i>	£11·5
Marylebone	17s. 0 <i>d.</i>	£13·3
Hampstead	19s. 5 <i>d.</i>	£11·7
Holborn	25s. 5 <i>d.</i>	£15·3

Now if, as has been shown to be reasonable, there should be no great difference in expenditure per head, it is impossible to resist the conclusion that districts with a low assessable value keep down unduly the cost of the necessary services, while districts with a high assessable value swell the cost by unjustifiable extravagance.

Three conclusions follow from the foregoing examination into the differences of local rating. First, high rates are, in the main, due not to local extravagance, but to low assessment; in other words, the burden of the rates is most heavy where the district is most poverty-stricken. Secondly, another cause for high rates is to be found in the fact that where assessments are low there are many poor and, consequently, large demands for expenditure on the part of Boards of Guardians. Thirdly, the rates in many of these lowly-assessed districts would be yet higher than they actually are if the fear of the rates did not lead to a cutting down of much desirable expenditure on public health, roads, lighting, and the like. The division of London into cities of the poor and cities of the rich injures the poor in three different ways; they stand in greater need of public services, and actually receive less, and what little they receive, measured in rates, costs them more than is the case in better favoured districts. Whether, therefore, we look to the claims of humanity or to the claims of justice, London stands in urgent need of a satisfactory scheme for the equalisation of the rates.

EXISTING EQUALISATION FUNDS.

Before considering such a scheme, it is desirable to examine the existing regulations which secure a certain amount of equalisation. These are many and very complex and very cumbersome, and it is possible to discuss the question only in the broadest outline, omitting sundry intricacies of detail.

There is first the Metropolitan Common Poor Fund, administered by the Local Government Board. The cost of certain services carried out by the Guardians, together with the amount of a grant at the rate of 5*d.* a day for each adult indoor pauper, is ascertained, and the several amounts totalled for the whole of London. This total sum is then apportioned among the unions on the basis of rateable value, and is, therefore, equalised. The chief services, whose cost is thus equalised, are the maintenance of lunatics and insane poor, indoor paupers, pauper children, and the provision of the salaries and the rations of officers. The Local Government Board exercises a very strict control over the Guardians. The Board may require the Guardians to appoint such officers as it thinks necessary, and has the power of fixing and approving salaries, and of rejecting and dismissing many of the officers selected by the Guardians. It is this control which has made it possible to centralise a large amount of poor-law expenditure. From the point of view of equalisation, the case of the Guardians is of importance, because it presents an example of an elected body which can draw on central funds because there is the safeguard of central control against extravagance on the one hand, and against inefficiency on the other.

The second method of equalising expenditure is to be found in the County Grants administered by the London County Council. The following are the more important County Grants. There is first the indoor pauper grant of 4*d.* a head per day for every indoor pauper. But this grant, with that whimsical inconsistency characteristic of much legislation, is based on the number of paupers prior to 1888, and not on the number of paupers in each particular year. During the twenty years that have elapsed much water has flowed under the bridges, and many paupers have surged into some districts and out of others. In consequence, the grant bears no adequate relation to existing requirements. Secondly, the County Council pays half the salaries of medical officers of health and sanitary inspectors appointed by the local authorities. Finally, omitting many small grants, the County Council administers the Equalisation Fund.

The Equalisation Fund consists of a sum equal to the produce of a 6*d.* rate for all London. It is distributed among the different Boroughs in amounts proportional to the population of each Borough. The idea underlying the institution of the fund was the belief that the expenditure of each Borough was proportional to its population. As was shown above, there is a good

deal to be said for this theory. But while it may be true that the expenditure of each Borough per head ought to be about the same, it does not follow that this "ought" will be fulfilled. Nor has this been the case in practice; Deptford, for example, which has the lowest expenditure per head of any Borough Council, received a grant from the Equalisation Fund equivalent to a 2*d.* rate, and other anomalies exist. In short, a district with a low assessable value per head of population stands to gain largely from the application of this fund, but it does not necessarily follow that the expenditure of the district will be high, for it may be kept unduly low. The fault of the Equalisation Fund lies in the fact that, while it may lower rates in poor districts, it provides no guarantee for the efficiency of the service. To advocate, as is sometimes done, an enlargement of this fund is unwise. For we want to equalise not only rates, but the value derived from the several services.

A SCHEME FOR EQUALISATION.

Any new scheme for equalising rates must satisfy three conditions: it must remove the present anomalies by establishing a practically uniform rate for each Borough; it must provide safeguards against extravagance; and it must secure efficiency in the different services. There are at the present time in each district of London two directly elected bodies—the Boards of Guardians and the Borough Councils. Are we to retain these minor bodies, or shall we sweep them away, and transfer their power to the County Council? From the point of view of equalising rates there is much to be said for the plan of destruction, as, with a single spending authority, there would automatically be a single rate. But London is a large place, and it is difficult to imagine that one central body could effectively supervise the affairs of four and a half million persons. Either it would be found necessary to increase the membership of the Council to such an extent that the Council would assume unwieldy dimensions, and develop into a machine with an indefinite output of profuse and irrelevant verbiage, or we should be compelled to establish a hierarchy of officials and a close bureaucracy, a system not in accord with principles of English local government. Neither alternative is satisfactory, and we should lose, in addition, even that small amount of interest in local affairs which now exists, and which could ill be spared.

But if we renounce the idea of a single central authority,

there is no reason why there should be two minor elected bodies in every district, each levying its own rate. We will assume, therefore, that the Boards of Guardians are abolished, some of their powers being given to the County Council, and the remainder transferred to the Borough Councils. To secure equalisation, these reconstructed Borough Councils must, from a financial standpoint, be placed under the control of some central body, and it is clear that a directly-elected body, like the County Council, is more suitable to exercise the necessary powers than a Government department like the Local Government Board. The problem, therefore, which requires solution turns on the question of how the County Council can control the expenditure of the Borough Councils. If we pass in review the chief duties which will devolve on the Borough Councils, we shall be able to show that the task set up does not present any insuperable difficulties.

Let us begin with the redistribution of the powers of the present Boards of Guardians. The most important and the most difficult duty that now devolves on the Guardians is the determination of the kind of relief suitable to meet the needs of each particular case of distress. To discuss in detail this intricate subject is not possible within the limits of a brief essay, but certain fundamental principles should be clear. We want uniformity throughout London, and at the present time each Board follows its own sweet will, regardless of the policy of others. We can only get uniformity if a single authority is ultimately responsible for the principles which guide those who are concerned with individual decisions. To a large extent this is a technical question; no layman can decide whether a patient should be admitted to the infirmary, sent to an asylum or institution for imbeciles, or whether he can be treated in his own home; it is essentially a question for the expert. Are the circumstances really different when we are called on to determine whether a family shall be sent to the workhouse, or receive out-relief; whether a widow shall be assisted to keep her children, or whether some or all of them shall be brought up in an institution? Surely the knowledge and the experience of an expert are as necessary here, as they are recognised to be in cases requiring medical treatment. At the present time we have a chaos of varying policies. Further, not only does one Board of Guardians differ in its administrative principles from another, but even in the same Board the several relief committees are usually at variance, while the same relief committee varies its action with the presence or absence of some particular member. We cannot secure any sort of uniformity

unless the decisions rest with officers acting under regulations laid down by a central authority. Some way of associating certain members of the Borough Councils with the work of the officials could easily be devised, but practically it would be the expert who would determine the kind of relief that would best meet the needs of any particular family.

Officials under central control will, therefore, determine into which of a number of classes each applicant shall be placed. If the case is one for out-relief the amount will be settled and the cost thrown on the county rate. It may, however, be that admission to an institution is the appropriate treatment. The institutions are, at the present time, under the control of three different bodies. The County Council provides the asylums, and the expenditure for the maintenance of the patients is equalised in a complicated fashion, which need not trouble us. Under the proposed scheme the whole cost will be met directly out of the county rate. The Metropolitan Asylums Board manages the fever hospitals and institutions for imbeciles. This body consists of representatives from the Boards of Guardians and nominees of the Local Government Board. With the disappearance of the Guardians it will likewise cease to exist, and its work will be merged in the work of the County Council. The workhouses and infirmaries are now provided and maintained by the Guardians. The cost of the maintenance of inmates is, to a very large extent, equalised with the help of the Common Poor Fund administered by the Local Government Board, though the loan charges fall on the individual localities. Equalisation here presents no difficulties; the control exercised by the Local Government Board over all expenditure met out of the Common Poor Fund is complete, and would be transferred to the County Councils. The Borough Councils would act as Visiting Committees, performing very much the same duties as are now carried out by the Guardians, though it would be desirable that all contracts should be under the supervision of the County Council. There remain the loan charges. As, under the proposed scheme, the Council, through its officers, would determine the destination of each patient, the buildings would be transferred to the Council, who, for the future, would be responsible for the loan charges, and would provide any new institutions that were required. The children's institutions would pass to the Council as the Education Authority. The sundry minor powers, such as vaccination, now exercised by the Guardians, would be transferred to the County Council, and equalisation, where it does not now exist, could easily

be secured. In this way the whole of the rate for the relief of the poor will be equalised, and at the same time adequate safeguards provided for efficient administration.

The existing powers of the Borough Councils would not require much change, though they would be placed under the financial control of the County Council. It would, however, be necessary to take from them their right of power of promoting and opposing Bills in Parliament. This power has in the past involved much needless expense, and has frequently led to the not very edifying spectacle of one authority fighting another. Another power which it would be necessary to take from them is the power they have as the valuation authority. A uniform rate for London is uniform only in name so long as the principles of making the assessment vary from district to district. It is essential that the County Council should become the authority for making the valuations for the whole of London.

It will be desirable to show in what way the County Council could exercise financial control. All expenditure must be sanctioned before it is incurred. Every year the Borough Councils would be obliged to submit an estimate to meet the expenses of the coming year, and this estimate would require to be passed by the County Council. It is not as difficult to exercise financial control as is sometimes imagined. The Local Government Board has exercised control of the most minute kind over all the services whose cost is thrown on the Common Poor Fund, and the work of the Borough Councils is not of so disparate a character that central supervision would be impossible. Take, for example, the most costly of the services of the Borough Councils—public health and streets. These are together responsible for more than half the rates. The County Council would find it easy, drawing on the experience of the past, to fix the numbers and the salaries of inspectors and medical officers of health; nor would it be difficult to estimate the cost of maintaining the streets. Such supervision would prevent the cutting down of the necessary expenditure in poor parts, and the extravagance in the wealthy districts, and this, as has already been shown, is certainly necessary. A scale of expenditure for other services could likewise be formed. So far as regards remunerative services, such as "housing" or electric lighting, the latter would naturally pass to the central authority, while the former could be carried out by the local body under conditions laid down by the central.

It has sometimes been urged that an elected body, without full control of its finances, would constitute an anomaly in local

government, and would not offer responsibilities and attractions sufficient to secure the services of capable persons. There is, however, no reason to believe that under the restrictions proposed we should get candidates inferior to those who now present themselves for election. It is usually forgotten that local government is founded on central control. The Education Authority, for example, cannot build a new school without the consent of the Board of Education, while the receipt of the annual grant depends on compliance with conditions laid down by that body. Further, the Guardians are pre-eminently an instance of an elected board controlled, down to the minutest detail, in all expenditure charged on the Common Poor Fund, and subject to close supervision in their general administration. Nor is it suggested that the reconstructed Borough Council should be deprived of all liberty to spend money without the previous consent of the County Council; but such expenditure would be a charge on the local, and not on the central, rate. As a matter of fact, with the extra duties assigned to them, the Borough Councils would become more important bodies than they are at present.

The object of this article has been to demonstrate the need and the possibility of a practically complete equalisation of rates; I have not been concerned to show the many economies and the increased efficiency in the various services which would be the result of the proposed reorganisation of London Government. But there is one question so germane to the present discussion that it cannot be dismissed without mention. Is the area of administrative London to remain confined within the existing limits, or shall the borders be extended?

Equalisation of rates has been proved necessary in London because London is split up into cities of the poor and cities of the rich. But this process of segregation has not ended at the borders, and, outside, the same forces are at work, and are producing effects even more disastrous. East Ham and West Ham, Tottenham and Edmonton and Walthamstow are groaning under a burden of rates as heavy as exist in any London borough. Further, since no equalisation funds or common poor fund lessen the burden, they are driven to many undesirable economies. Clearly, such districts must be taken into London, and if we do this we must evidently go further. For these districts will prove a heavy expense, inasmuch as they have been permitted to spring up without proper control over their growth, and usually in the absence of suitable building regulations. We must not, therefore, rest content with receiving into London any district after it

has advanced far on the road of administrative bankruptcy ; we must anticipate the inevitable expansion of the metropolis, and supervise its development. We cannot do this with any hope of success unless we extend the border of London until it includes the whole of the Metropolitan Police area—in other words, until Administrative London and Greater London become conterminous. There will be a central authority for the total area, and in each district a local body, subject to central control, in accordance with the principles already outlined ; and there will be a single rate for the whole. The inclusion of the new district would from the point of view of rates make little difference to London. An equalised rate for the year 1905-6 for the administrative county of London would amount to 7*s.* 5*d.*, and for the whole of Greater London 7*s.* 6*d.*, an increase of only a penny. This scheme of expansion doubtless involves large changes, but it is only by a bold policy of this character that we can hope to make out of this huge aggregation of isolated peoples a city adequate to the demands of civilisation and worthy of the Empire of which it is the capital and the heart.

R. A. BRAY

BACK TO THE LAND.

THE State has, no doubt, an interest in securing the largest possible economic product from the national soil, and also in maintaining an adequate proportion of the population living in rural districts, for the supply of fresh blood, health and strength to the City population. But from the most intelligent and sympathetic descriptions available of rural depopulation it is obvious that the migration from country to town is due not so much to want of employment or unsatisfactory conditions of employment at home, as to the superior attractions of the town. The stream of migration flows where the money agricultural wage is high, as well as where it is much lower than in towns. If people deliberately prefer town to country because the one is lively and the other dull, it is difficult to see how their inclinations can be altered or controlled by Act of Parliament. But the subject is too important to be dismissed in this way. What is the extent of rural depopulation? What are the general economic conditions under which it takes place? Is it the case that in Scotland, to use the phrase of M. Jules Méline, "the equilibrium between agriculture and manufactures has been upset," and can the State do anything to restore it? For the period 1871-1901 the town population of Scotland increased on the average about 38,000 a year, while in the villages and rural districts there was a net decrease of about 2,000 a year, the villages gaining largely, and the purely rural districts losing heavily. The largest decrease was in the class of agricultural labourers, while there was a substantial increase in the number of male relatives assisting farmers and graziers, also in the number of foremen, and of gardeners, nurserymen, and florists, and miscellaneous employees. There was a diminution of 1,000 in the number of shepherds. About 40 per cent. of the decrease in agricultural labourers consists in a decrease of women so employed. Upon the whole, the progressive decrease in the number of women and very young children employed in agriculture is matter for congratulation, as

evidence of a higher standard of humanity and morality. The bothy house of Scotland and the evils against which the English Agricultural Gangs Act of 1867 was directed were not pleasing features of our national economy. But there are many departments of farm-work, especially on dairy-farms, for which women are well adapted, and in which, indeed, they excel. If the statistical inquiry be carried back to the period 1851-81, long before the agricultural depression set in, you find the total number of servants engaged in agriculture in Scotland sinking by nearly the same average of about 2,000 in the year, there being, however, during that period a large increase in the number of shepherds. These figures are serious, and in some parts of the country there is undoubtedly a scarcity of agricultural labour.

But is it certain that this is not the natural and normal relation between the urban and agricultural population in Scotland, and that the causes are such as may be removed by legislation? That relation must shift and change with the expansion of manufactures, on the one hand, and the depression of agriculture on the other. It must depend not on the mere inclination and desire of people in this country, but on the position of the country as a producer and buyer in the markets of the world, including the market for food-stuffs. The outstanding features of British economic history during the period in question have been the rapid increase in manufactures from 1840 to 1880, and the depression of agriculture from 1870 onwards. If there has been a long-continued and rapid development of manufactures, and a retrograde or even stationary condition of agriculture, one would expect a considerable transfer of population from the country to the town. It is an illustration of the mobility of labour, and does not necessarily suggest something wrong in the circumstances or conditions of agriculture. Nobody would desire to stop or hinder the development of manufactures, even for the sake of improving the position of agriculture. Agriculture is the largest and most ancient of our industries, but it cannot be withdrawn from the operation of any general economic tendency. In Major Craigie's address to the Royal Statistical Society it is pointed out that this migration from country to town is almost universal in Europe. It occurs in countries which protect their agriculture, as well as in free importing countries. It occurs under every variety of land tenure and social and political organisation. Nowhere is it more marked than in France, a country, to a large extent, of small-holders, where it has been described with much pathos by such writers as René

Bazin in his *La Terre qui Meurt*. Such things happen because in these countries manufactures grow more quickly than any possible development of agriculture. The additional food supply comes from distant parts of the world. The case of Great Britain is somewhat special. Professor Shield Nicholson, in his recent Gilbey Lectures at Cambridge, observed that for the most part the rent paid for agricultural land in England can hardly be described as a payment for the natural fertility of the soil, but, in general, is not more than a fair return on the capital spent by generations of landlords in the necessary buildings, fencing, and drainage of the soil. Then, by a faulty system of local taxation, and by the inclusion in it of charges that equitably fall on the Imperial Exchequer, agriculture is unduly taxed to an extent exceeding 2s. a quarter upon wheat. The Duke of Argyll lately made public the case of a Highland county where, during the last twenty-five years, the rental went down 44 per cent., and the local taxation increased 240 per cent. In these circumstances, naturally, every effort has been made to reduce the amount of labour in agriculture. The self-binder and the potato-lifter have been introduced, but no modern Jack Cade would suggest the destruction of these useful implements in order to stem the tide of rural depopulation. Nor is it wonderful that in some cases small farms have been merged in larger ones. Foreign or colonial competition must be faced, and the large farmer has the advantage of obtaining better results from better machinery; he deals in bulk, and has easier access to the best markets; he has the working capital required for the modern system of expensive manures. What is found in other trades is that when prices fall the output must be increased, and the on-cost charges diminished. It would be a dangerous responsibility to place legislative obstacles in the way of such economic changes as these, which recommend themselves to both landlord and tenant. Is it wonderful that some land has been converted into permanent pasture? According to a well-known calculation, comparing the period 1872-7 with 1892-7, there has been in the United Kingdom a loss of farmers' capital of £101,000,000, or 22½ per cent. In the former period the gross produce was £249,000,000, of which £65,000,000 may have been spent in wages. The annual profit of the earlier period, viz., £43,000,000, was, in the latter period, converted into an annual loss of more than £1,500,000. These figures would explain a greater conversion of arable land to pasture than has actually taken place. Long ago Bishop Latimer, in his sermon to King Edward VI., denounced the graziers for

turning out the householders, so that "there is now but a shepherd and his dogge." But if 1827 and 1901 be compared, in 1901 there were a million more acres under arable cultivation and in gardens than in 1827. It is absurd to talk of England once more becoming a deer-park as in the time of the Tudors. The eminent preacher and fervid socialist who is now Bishop of Birmingham would hardly repeat to King Edward VII. the sermon of Bishop Latimer—at least if he had read the recent report of the Board of Agriculture on the wool production of Great Britain, and the course of wool prices for twenty years. The production of wool last year was £133,000,000. The rise in the price of British wool has surpassed in rapidity and extent any change in agricultural values which has occurred during the whole period since the agricultural depression set in. Why, by legislation, directly or indirectly, check this active and thriving industry, which, in the meantime at all events, is justified by its success?

Such are some of the economic causes that have accentuated in Great Britain the general migration from country to town going on in all progressive European countries, and also in the United States. It must also be remembered that the development of the factory system has inevitably destroyed many local rural industries and distributing centres related to agriculture. The local market and the local mill have been abolished by the railway, the village dyke has been superseded by the general use of wire fencing, home spinning and weaving by the women have also largely disappeared. It may be suggested also that it is a little difficult to define what, in any given country at a particular time, is the proper and natural extent of its agricultural population? Nothing is more certain than that, prior to the Reform of the Poor Law in England, there were far too many agricultural labourers on the land. They received a wretched pay, eked out by parochial allowances. It was this state of things, certainly not the existence of big farms, that degraded the English hind and his wife and children. This should stand as a perpetual warning against legislative proposals that might permit or encourage an excessive population in the rural districts, such as formerly existed in many places in England, and still exists in the congested districts of Ireland and the north-west of the Scottish Highlands.

Will the land carry a much larger population than that now engaged in the business of agriculture with a fair amount of success in spite of uncertain weather and low prices? It is

suggested that the whole production of cereals, or as large a part of it as possible, should be turned over from the present landlords and tenants to a new population of small-holders, and that this would largely decrease the rural depopulation. Notwithstanding the very large number of small-holders in the country, and the considerable increase in their number that has been recently secured by voluntary arrangements in certain favourable districts, it may be possible by prudent measures still further to encourage their multiplication in the neighbourhood of towns. But the main production of cereals cannot possibly be undertaken by small-holders. It seems probable that the present system of mixed farms is the best in the interest of the State and of the agriculturists themselves; it is certain that a conversion of the landlord and tenant system into one of small-holders would not be followed by any large increase of rural population, and there is reason to suppose that an injudicious scheme for forcing small holdings would result in serious injury to the national agriculture.

From the returns obtained last summer it appears that in Scotland in 1906, out of a total of 79,027 holdings, 18,553 were above one acre and not over five; 34,645 were above five and not over fifty acres; 23,123 were above fifty and not over 300 acres; and only 2,706 were above 300 acres. Thus the small holdings below fifty acres constituted 67 per cent. of the total holdings, and those between fifty and 300 29 per cent., leaving only 3·5 per cent. for the large farms. Possibly these proportions are not ideally perfect, but they strike one as presenting a wholesome variety in the character of the holdings, and as presenting opportunities for the rise of the successful crofter. No one would condemn the national agriculture to a single type of farm. There are in Scotland a large number of these valuable and interesting farms which are managed by the labour (no doubt severe and exacting) of a single family. But what has all this to do with rural depopulation? Mr. Muuro Ferguson, M.P., a landlord of exceptional experience in Lowland Fife and in Highland Ross-shire, has declared: "Small farms do not add to the numbers on the soil, for a big farm maintains as full a complement as the land can carry under high farming, and by displacing them you cannot multiply the numbers maintained by the same land." The truth of this declaration is supported by the fact that a considerable section of the Scottish ploughmen, with their steady wage, cottage, and "gains," view the small holdings movement with disfavour, since, if completely successful,

it would put an end to the trade of a hired ploughman. If the change to small holdings did not accommodate a larger population, there is reason to believe that, except where co-operation was established, the production of the soil would be diminished. If machinery were dispensed with, no doubt a larger population would be required to produce the same amount of corn, thus adding to its cost.

During the last sixteen years there has been a slow but steady growth in the number of small holdings in Scotland, and a diminution equally steady in the rural population. This is especially marked in the crofting counties, and it is noticeable that the Crofters' Act of 1886, and the administration of the Congested Districts Board subsequently created, have had no effect in stemming the tide of emigration. The figures are remarkable :—

POPULATION OF CROFTING PARISHES.

1871-1881.	Loss of population,	3,400.
1881-1891.	"	6,300.
1891-1906.	"	6,400.

Thus the creation of small holdings, even when stimulated by two public boards, commanding a considerable amount of public money, cannot overtake the process of rural depopulation. The crofters had their security of tenure and their chance of financial assistance, and yet in a period of twenty years, when there was no potato disease, no cattle disease, no corn blight, they have given up their crofts and gone to Canada faster than ever. The depopulation in the crofting parishes has been greater since the Crofters' Act of 1886 than before it. And this leads to the observation that, whatever might have been the merits or possibilities of any legislative scheme, dealing with the land question as a purely domestic question, on the assumption that the people cannot go elsewhere, the situation is wholly changed, when the State has colonies with enormous tracts of virgin fertile soil which can be obtained on easy terms both as regards price and access. It would be idle for Westminster to enter upon a competition with Winnipeg, and in the impossible event of that competition being successful, is it clear that it would be for the advantage of the Empire, as a whole, to encourage the somewhat doubtful experiment of adding to the agricultural population at home, while discouraging the settlement of these great territories which are waiting for the exploitation of their natural advantages? Why should the British people not move from the worse to the better lands of the

Empire, and assist in making Canada the granary of the Empire? Many of the crofters seem to think that "the star of Empire glitters in the West." Are they economically wrong?

The Crofters' Act, 1886, has been appealed to in support of the proposals lately submitted to Parliament for the increase of small holdings in Scotland. It has been shown that that Act did not prevent an increase of emigration, and, if so, probably the whole *raison d'être* of this class of legislation disappears. Apart from rural depopulation, no one would urge the statutory increase of small holdings as a mere improvement in agriculture likely to add to the national wealth. No doubt the Crofters' Act, by giving security of tenure, improved the position of a number of crofters who were able, by their character and savings, to take advantage of it. The others, of course, did not benefit. But the observation of most impartial people will support the conclusion of the Charles Douglas Commission, viz., that the Act has not made any general improvement in the standard or results of Highland agriculture, which remains far beneath those of the Lowlands. The majority of the crofts are not self-supporting; the men are fishers, or have other occupations, or draw upon the wages of children who have left; and in a great many cases the crofts sink back into cultivation by the women of the family.

The truth about the Crofters' Act calls for great caution in examining the grounds on which new legislation of a much more extensive character is proposed. No less eminent and well-informed a politician than the late Prime Minister, Sir Henry Campbell-Bannerman, M.P., in speaking on the Scottish Small Holders' Bill, said that he would put the whole case for that Bill on the experience of Aberdeenshire, Flint, and Anglesea. Aberdeenshire has certainly an exceptionally large proportion of small holdings between five and fifty acres, and also a very large number up to 300. In general, these go well, because the Aberdonian is a hard-headed and extremely industrious man. But during the last thirty years the rural population of Aberdeenshire has sunk by 13,000. The reference by Sir Henry to the cases of Flint and Anglesea is a striking illustration of the danger of dealing with statistics not collated with facts. The argument was that these two counties, having a high proportion of small holdings, had also increased in population by 100 per cent. But, as was pointed out by Mr. D. A. Thomas, M.P., in two interesting letters in the *Times*, while in 1881-1901 there had been an increase in the number of farmers and graziers in these

counties, there had been a large decrease in rural population. What had been done was to confuse the registration with the political county, the populations of these different districts differing by the 100 per cent. which had caught the eye of Sir Henry. Mr. Thomas also pointed out another strange inconsistency in the manner in which these large questions of land tenure are dealt with. Lord Carrington's Royal Commission of 1893 reported that in the history and actual condition of its agriculture, Wales resembled the Scottish Highlands, and, therefore, that there should be a Land Court and a statutory crofting tenure. The Napier Commission of 1884, on the other hand, while recommending the crofter tenure for the Scottish Highlands (or, at least, for seven counties in the Highlands), had by the plainest reasoning declared that it should not be applied to the Lowlands. But now, contrary to the recommendation of both Royal Commissions, Wales has been left under the same law as England, while it is proposed to establish crofter tenure in the Lowlands of Scotland. Since the Napier Commission there has been no inquiry into the subject of land tenure in Scotland, and at no time has any public inquiry (such as was thought necessary for the Highlands and Wales) been instituted into the conditions of the much larger and more successful districts in Scotland which have hitherto remained outside the Crofter Acts.

It may be suggested that no case exists for any general attack upon the present system of landlord and tenant, on which the country must depend for an indefinite period for the main part of the home supply of cereals. Now that changes in the law have secured the tenant's right to equitable compensation for improvements, and have even conferred on him a vague new right to compensation for capricious eviction, it is not desirable that the present system should be discontinued. Under it, as Mr. Gladstone was fond of pointing out, the tenant borrows at easy rates the greater part of his necessary capital in the form of land and landlord's improvements, and is thus enabled to devote more of his own capital to the purchase of seed, stock, and manures. Again, the agricultural labourer, with his Trades Union, his free education, his inalienable right to compensation for accident, his Parliamentary and parish council franchise, is in no danger of sinking back into the apathy and degradation of former times. The danger of any hostile movement against the present free trade in land is shown by the fact that, to a very large extent, landlords' improvements in Scotland were stopped

by the introduction of the recent Bill. Whatever opinion one may entertain of the landlord class, it is not reasonable to expect that they will continue to sink money in the soil if they have no voice in fixing the return they are to obtain for their expenditure, or if the distribution of the land with the necessary buildings were liable to be disturbed by the external authority of a Land Commission. Accordingly, against any problematic advantages in the way of increasing rural population must be set the certain loss and injury accruing to agriculture from this source.

As regards small holdings generally (apart altogether from the disturbing element of crofter tenure, which has no connection with it), in 1892 some powers were given to the County Councils of Great Britain, but these have been little used, probably because the Councils were afraid of loss falling on the rates. During that period, however, a vast number of experiments have been made by voluntary action in many counties, such as Worcester, Devon, Stafford, Gloucester, Hants, Cheshire, Cambridge, Norfolk, Brecknock, Lincoln, Perth. Some of these experiments have failed: the late Lord Wantage (one of the noblest characters that ever lived in peace or war; he gained the V.C. in the Crimea, and was decorated with a blue ribbon for his philanthropy) lost about £40,000. But many of the experiments succeeded, and they did so because the proprietors interested followed the principles laid down in Miss Pratt's book, *How Landlords can create Small Holdings*, written with admirable sense and fine public spirit. Miss Pratt, who has visited almost every experiment of the kind, describes two kinds of small holding possible. On one the ordinary rotation of crops is followed, supported by the possession of some stock and an outrun on common pasture. In this case the small-holder generally follows some other occupation. As Sir Robert Wilson has pointed out, while the enclosure of the old common arable fields was an unqualified benefit to national agriculture, some of the later enclosures of common pasture may have been of more doubtful propriety. Certainly, had more of these common pastures survived, it would have been easier in certain parts of the country to start some small holdings. But the second type of small holding is much more important, the market garden type, where intensive cultivation is followed, preferably near a town, or at least within easy access to market, where crops and vegetables, fruit and flowers, are produced, as well as poultry, eggs, and honey. Apart from this, there is a great field for

co-operation among the smaller dairy farmers on the lines pursued by Sir Horace Plunkett in his co-operative creameries in Ireland. As regards all these, Miss Jebb mentions three points which must be considered :—

1. The actual local demand for small holdings.
2. The type of holding required in the particular district.
3. The facilities on the particular estate for meeting the demand on the lines required.

Miss Jebb properly ridicules the false economy of putting up expensive structures to last for all eternity, when a wooden shed with a brick foundation and a galvanised roof is all that is required. This is very important, because the expense of buildings has been the main obstacle to many experiments. She also points out that where a local authority or an association becomes the immediate tenant, the landlord can have no difficulty or expense in collecting rent. The importance of local conditions, to which Miss Pratt calls attention, is well illustrated by the most striking example of successful experiment yet recorded. That is the case of Wrexham Hall, West Norfolk, where Mr. Keeble has converted 12,700 acres of derelict land into a thriving colony of holdings of 20 acres, 42 acres, and 250 acres, each supplied with its appropriate size of building, and each communicating with a private railway six miles long from the Dereham Abbey Station on the Great Eastern, from which they run special trucks into the London market. The striking fact is that the soil can be cheaply manured with lime or chalk at 10s. per ton, instead of basic slag at two guineas a ton, or sulphate of ammonia at £12 per ton. It is of interest that Mr. Keeble condemns the compulsory clauses of the Small Holdings Act. "You cannot take the land to the likely tenant, but the likely tenant will always come to the land." This may not have been an altogether profitable speculation for Mr. Keeble, and not many landlords, or even local authorities, are likely to build railways for this purpose. But it shows what can be done without an Act of Parliament, and it suggests that if you must invoke some official aid, the local knowledge of a local authority is likely to be of greater assistance than that of any central board. The essential thing is to get the right land and the right people in the right place.

This whole subject was inquired into by Lord Onslow's Departmental Committee, which reported on December 10th, 1906, and the evidence then taken shows that there is a considerable

demand, not completely satisfied, not only for small labourers' allotments or garden-patches, but also for the two types of small holding above mentioned; that there is a good deal of land in the market; that in a really suitable case the small holder could pay a rent in excess of the rent paid for the same land as part of a big farm: a rent that, at all events in the case of holdings from twenty to fifty acres (not in any smaller holding), would recoup the reasonable cost of buildings at a very moderate rate of interest: but that in all cases there is much need of discrimination as regards the quality of the soil, the experience of the applicant, and the general environment. The report warns Government against provoking the hostility of landowners and large farmers by giving the authorities a power of compulsory hiring, as this would tend to destroy the sense of responsibility which should accompany ownership, and would also raise disputes between landlords and tenants. In the view of the committee, the safest and most rapid development of small holdings would have been under a system of State loans to landlords who desire to construct the necessary buildings. This idea is not new, because in 1846 the national interest in agriculture was held to justify a large system of advances to landlords for necessary drainage. The Government have preferred the system of giving certain powers to the County Councils, which may be trusted to use their new powers with moderation and public spirit. It is perhaps surprising that there has not been a larger number of applications under the statute, but that must be because so many have recently been provided by voluntary agreement, notably on the estates of Lord Carrington himself. Lord Rosebery pointed out last year that at one time small holdings were the universal rule in Scotland, but that to a considerable extent they had disappeared in obedience to economic law. It would be strange if in these enlightened days the old order should be artificially re-established by bounties and endowments. The County Councils have received power to charge loss on the rates, and there is undoubtedly some risk of creating a serious liability and incurring a heavy loss.

In this way, by gradual processes, differing in character and extent, in different parts of the kingdom, and not by any sudden legislative cataclysm, abolishing landlordism or hostile to the large tenant farmers, we may see a fair number of industrious and thrifty men coming "back to the land." They would have probably come without any legislation, looking to the growth of public interest in the question. In certain localities

a larger variety of produce may be extracted from the soil, and the patriotic citizen may less frequently be subjected to the indignity of eating Danish butter or French eggs. The change will not make any sensible impression on the congestion of the cities, for the inhabitants of the slums are of all persons the least capable of undertaking the duties of a small-holder. But, at all events, the new class of small-holder will no doubt stand firm against the Socialistic propaganda with which we are threatened.

WILL. C. SMITH

A PLEA FOR REFORM IN THE ASSESSMENT OF RAILWAYS.

Introduction.—The increase in taxation on their property is a subject which the shareholders in practically every railway company have heard a great deal about at the half-yearly meetings for several years past. It may, nevertheless, safely be said that there are few items connected with railways, or their working, concerning which the ideas of the average shareholders are more shadowy and, as a rule, more erroneous. This is perhaps not to be wondered at, since the matter is one that is, in its details, full of complicated technicalities.

The direction in which relief should be looked for.—Let us put aside the claims of the railway companies to be, either partially or wholly, relieved from the payment of certain kinds of rates for which they are now liable. Excluding also the much-to-be-desired possibility that local authorities will economise largely in the near future in the matter of expenditure, and thus cause the poundage of the rates to fall, it is evident that it is to a lowering of their assessments that railway companies must look for relief. Two ideas, then, present themselves: firstly, whether the total assessments of each railway are, or have been, higher than the principles laid down in the Parochial Assessment Act and the Valuation (Metropolis) Act permit of; and secondly, assuming that such is found to be the case, whether there is any way by which they can be reduced to the proper level, and the possibility of such over-assessment again taking place adequately provided against.

General principles of railway assessment.—The general principles laid down in the Acts for ascertaining the “net annual value” or “rateable value” of any property have been definitely construed by the Courts many years ago to mean, in the case of a railway, that the gross receipts for one year shall be taken, and the working expenditure—including the rates that will have to be paid and the passenger duty—deducted therefrom. The

balance forms the net receipts. From this sum, a percentage—usually not less than 15 per cent.—on what is technically known as the tenant's capital (*i.e.*, the value of the company's rolling stock, tools, materials, cash at bank, &c.), is subtracted. The difference is the gross estimated rental, or gross value, of the line and stations. The gross estimated rental of the stations—usually arrived at by assuming it to be a percentage of the gross receipts—is then taken from this amount. The sum then remaining is the gross estimated rental of the line. Then, deducting from this figure the sums annually necessary for the repair and renewal of permanent way, there remains the rateable value of the line itself, excluding the stations.

How these principles have been violated.—Unfortunately for the proprietors the assessments of the railways of England and Wales have not, in practice, been wholly governed by the above principles. It is here necessary to explain that the Courts have also held that railways must be valued parochially, *i.e.*, that the portion of a railway which traverses each parish must be treated as if it were an entire railway in itself, the gross receipts in the parish being taken as the starting point in making the assessment, and the procedure being nominally the same as if the line was valued as one undivided hereditament. It is, however, impossible to follow the correct procedure strictly in practice. For instance, the working expenditure of an entire railway is a figure which can be definitely ascertained, whereas the working expenditure in a single parish is largely a matter of little better than guesswork. The most that can be said for it is that it is a rough estimation. The same, and even more, may safely be said of the way in which the value of the tenant's capital is arrived at. The latter element was stated by a prominent rating counsel—when trying to defend the existing parochial system of assessment at a meeting (*Trans.*, Vol. XXXVII., page 363) of the Surveyors' Institution—to be obtained by "a kind of rule of thumb." Again, assessment has been piled on assessment for improvements at stations, which could not have been justified for a moment if the net annual value of the whole line had been taken into account as the maximum limit of total rateable value which should not be exceeded. If the net annual value of the whole—that is, the net receipts of the whole, less the proper deductions—does not warrant any increase in the assessment of the whole, then, if the practice which applies to other kinds of rateable property was followed, the increase of assessment put on the improved station would have to be taken off elsewhere.

When, in conjunction with the foregoing, it is remembered that the Act gives no power to make all the parishes traversed by a railway co-operate in making the assessments in any parish or parishes, it is perfectly clear that there is no guarantee whatever, nor even a reasonable probability, that the sum of the assessments in all the parishes will be equal, and only equal, to the figure at which the total assessment would stand if the line had been valued as one undivided whole in the first instance. In dealing with other classes of rateable property, the assessment of the entire hereditament is first calculated as if it were all situated within one parish or rating area, and this sum is afterwards allocated among the various areas. This applies not only to houses of all kinds, but also to gasworks, waterworks, tramways, &c., which are situated in more than one parish.

No protection against over-assessment.—This protection, intended by the Legislature to exist, and which does exist in the case of all other ratepayers, has, however, been hitherto denied to the owners of railways. At this point somebody may fairly ask how it came about that the same safeguard against over-assessment (*i.e.*, the same maximum limit of rateable value) does not apply to the railway companies. To this Lord Campbell supplied the clue in giving judgment in a rating appeal in 1851. He said: "The rule laid down by the Parochial Assessment Act (*i.e.*, assessing each parish as a separate entity) is easily applicable to all the property which the Legislature had in contemplation in laying it down. But it is wholly inapplicable to the case of a railway extending many miles through many parishes, &c."

The important condition we have laid stress upon cannot be gainsaid, for it is really a truism to say that the sum of the assessments of a railway in all the parishes traversed should always *necessarily* be exactly equal to the justifiable total assessment or net annual value of the whole line. The Courts, indeed, have recognised the axiom. Lord Campbell referred to it in *Reg. v. Great Western Railway Co.* in 1846, and Mr. Justice Wightman alluded to it in *Reg. v. West Middlesex Waterworks* in 1859. But difficulties arise. Assuming that a case was found in which the actual total assessment of a railway was clearly too high, it would then follow as a matter of course that the assessment of some parish or parishes must be too great. What is required, however, is proof that the rateable value of the line in a *particular* parish is not the true net annual value of the line in that parish—a very different thing. Consequently, it

is doubtful whether the railway companies could obtain the necessary guarantee against over-assessment without some alteration in the law, in spite of the truism we have mentioned.

The vital defect in the parochial system of assessment.—Now the companies are entitled, in common fairness, to claim that the only possible guarantee against over-assessment should apply to their property, as well as to that of all other classes of rate-payers. Nevertheless, the parochial system of assessment, under which every railway in England and Wales is valued at present for local taxation purposes, still prevails. The vital defect in it is, of course, the lack of guarantee against over-assessment already discussed; yet this fatal drawback has never been put forward by the companies—for reasons which we shall enter into later—as an argument to show that it should either be amended or abolished.

What the railway companies have left undone.—It is patent that over- or under-assessment cannot be detected in any other way than by a comparison of the actual total rateable value with the total net annual value—*i.e.*, the figure at which the total assessment would stand, were the whole line valued as one undivided entity. Nevertheless, the rating surveyor of the Great Western, when giving his evidence as one of the representatives of the companies before the Royal Commission on Local Taxation (Vol. I., *Min. of Evid.*, qq.11,557, 11,558), stated that “he did not know what the actual total assessment of his line was, as he had never taken out such a figure, since he never had occasion to use it.” The Chairman of the Commission was fairly taken aback by this damaging admission, and showed his surprise in an unmistakable manner. Now what was true of the Great Western a few years ago may be safely assumed to have been true of all the other companies at that time. As regards the total net annual value, it may be said with absolute certainty that none of the companies have ever made it a practice to take out the amount at which the total rateable value might fairly be expected to stand, were each line valued as an undivided whole. At present some of the companies know the actual total rateable value of their systems, but none know their total net annual value, and compare it with the former. Can anyone deny that this is an astounding state of affairs? Further—and it is highly significant—at no time since the Royal Commission on Local Taxation strongly advised the abolition of the parochial system of assessment, have the companies pressed for legislation in the direction that Commission recommended.

What has happened under the parochial system of assessment.

—As an example of what has occurred under the grossly inequitable method now followed, we need only say that the net receipts of all the English and Welsh railways—the word “railway” being used to apply only to that portion of a railway system which is described as “railway” in the Valuation Lists—namely, the line, stations, and *depôt* ground—were rather less, and at all events not greater (so far as can be ascertained from the meagre data available), in 1903 than in 1898. Now the value of the companies’ rolling stock, &c., admittedly rose by at least ten millions sterling, spent out of capital, during those five years. This would, *ceteris paribus*, justify a reduction of, say, one and a half millions sterling in the total assessment between 1899 and 1904, yet the actual total assessment of all these railways was over one and three-quarter millions sterling higher in 1904 than in 1899. The Parliamentary Return of 1905 gives the precise increase as having been £1,865,485. Again, about 1,800 miles of new permanent way were laid in those five years, so that larger allowances should have been made for maintenance as well as in respect of the tenant’s capital. Hence there is irrefutable evidence to show that if the railways were, as a whole, correctly assessed in 1899 at £15,598,001—the figure given in the Parliamentary Return of 1900—they were greatly over-assessed in 1904, when their total rateable value was £17,455,863. We have said “irrefutable” advisedly. The hugeness of the increase in the value of the companies’ rolling stock, &c., and the consequent great addition to be made to the deduction in respect of it, would far outweigh whatever error may exist in the only figures at our command (the Railway Returns) representing the net receipts of the railways *proper* in 1898 and 1903 respectively. There is, therefore, no doubt that the railways were, as a whole, *relatively* over-assessed in 1904. Were they also *absolutely* over-assessed? In other words, was the total rateable value of the railways in 1899 up to the proper standard—namely, the net annual value of the whole? The total rateable value in 1899 represented nearly 50 per cent. of the net receipts of the rateable hereditament, and, therefore, we do not think it can be denied that the total assessment was then almost, if not quite, as high as it ought to have been. We shall, however, return to this point later on.

On whose shoulders the responsibility rests.—We have shown that the companies are not, and never have been, in a position to say whether they are under, over, or fairly assessed. In this

respect the railway companies have failed in their duty to their proprietors, and, as the matter is such a purely technical one, the responsibility for this failure must be held to rest not on the directors, but on the officers directly concerned—namely, the companies' rating surveyors.

The companies' ignorance as to whether they were over-assessed or not, and lack of means of proving such when it occurred, is doubtless one reason why, with all their influence, they have never appealed to Parliament's sense of fair play to grant them the protection against over-assessment enjoyed by other ratepayers.

Misleading notions about the position.—Again, the facts being as they are, it is calculated to mislead the shareholders as to the real position of affairs for a chairman of a railway company to tell them how much the company's rating department had been able to reduce the assessment within a given period, with a view to showing how well rating matters are looked after, and what credit is due to the company's officials. It is indisputable that the only information which would give the shareholders a correct idea of the assessment position at two given dates would be a comparison of the respective actual total rateable values with fair estimates of the total net annual values. This, however, no chairman has ever been in a position to give, nor been told by his surveyor that he ought to give.

The following is an extract from the speech (as reported in *The Railway News*) of the chairman of the Lancashire and Yorkshire in August, 1906: "Within the past four years, although the payments for rates and taxes have increased by £65,000 per annum, there has been a reduction in the company's total assessment of about £25,000." In the previous February he is reported as stating that "to assure the shareholders that this intricate subject [assessment] is one which the directors are closely looking after, I may mention that our legal and rating staffs carried out twenty-six negotiations last year, and there are now twenty-seven pending." At this time, too, the chairman of the Taff Vale is reported (*vide Railway News*) as having made a somewhat similar statement to that given at the Lancashire and Yorkshire meeting in August.

The above remarks have been quoted because it is necessary to get rid of certain unpractical ideas which, however much they may appeal to the sentiments of shareholders, convey a wholly misleading view of the situation. For all that any of them could tell from the information vouchsafed, the reduction of

£25,000 ought to have been £100,000. They were given no means of judging what the total assessment ought to have been at each period, from which alone they could deduce a rational idea of the position. As the chairmen of the respective companies were not rating experts, they must be held blameless for not realising the true inwardness of their remarks, as regards the unsatisfactoriness of their nature, but such ought to have been plain to their rating surveyors who presumably inspired those remarks, and to whom the chairmen would naturally look for guidance. It is to be hoped that, in future, the chairmen will refrain from putting forward such misleading notions, and tell their shareholders what steps they have taken, or are about to take, towards obtaining the only real protection against over-assessment.

The Midland Railway Co. v. Borough of Haripstead, and other cases.—When the huge reductions which have been granted to the railway companies in appeal cases during the last two years are looked at, it is possible that the total assessment of all the companies was as great as, or greater, than it is now. The Taff Vale case, the Middleton case, the Edmonton case, the Ampthill case, the Penrith case, and the Hampstead case all resulted in great changes in the downward direction. In the last-mentioned, the rateable value of the railway was increased from £9,762 to £14,000 in 1905. At the arbitration before the Right Hon. Alfred Lyttelton, K.C., the company asked for a reduction from £14,000 to £4,337, and were content to compromise for an assessment of £5,750. Now what are the inferences to be drawn from this? The railway company is perhaps pleased at the result; but their gratification is probably somewhat tempered by the fact that, although nominally successful as regards costs, they will in reality, as large ratepayers, have to pay a share of both their own and their opponents' costs. Herein lies one of the advantages of assessment by a Government assessor. There is, however, another aspect of the matter. The company's assessment previous to 1905 was £9,762, but, when appealing, they put forward £4,337 as a fair figure. Surely the value of their line cannot have fallen 55 per cent. within five years or so. The inference is that the old assessment of £9,762 was far too high. This tends to corroborate our opinion that the assessments were, as a whole, quite unjustifiable in 1904. It also lends additional weight to our assertion, if any were needed, that the only fair way in which to assess a railway is to value it as a whole in the first instance, and divide the assessment afterwards. In

fact, this case is an object lesson as to the scope for over-assessment provided by the existing method, and illustrates the need of the data now asked for. The total amount of their assessment is really all that concerns a railway company, and, therefore, their real desideratum is the protection given by the maximum limit of the net annual value of the whole. Everything else must needs from their point of view be of relatively trifling importance. The rateable value of the railways in so many rating areas having been too high in 1904, it is likely that those of others were also excessive. Consequently, in these days when local rating authorities are not lax, it is highly probable that over-assessment was very common in 1904. But a company, unless they had the data before-mentioned, could not know for certain whether it existed in their own case. They might have said they knew, but they could have given no really definite proof. It is not necessary to dwell upon the cumbrousness and costliness of the parochial method of assessment. Judges have characterised it as "terrible" and "absurd." In one case, a judgment was held over for two years in the hope that Parliament would intervene. Its costliness is only too well known. One appeal alone cost the company concerned and the rating authority, together, over £35,000. The Penrith and Hampstead cases exemplify its uncertainty. As the company's position was admitted by the opposing counsel to be so strong in the latter case, they would scarcely have consented to a sum more than £1,370 higher than the one they put forward (a difference of 30 per cent.), if they thought they could have reckoned with any certainty on getting their own figure sustained. Again, the extent of the difference between £14,000 and £4,337—both of which figures were arrived at by professional valuers—would apparently justify us in calling the present method of obtaining the rateable value "worse than guesswork." The Hampstead case has been instanced because it is a striking one; but what has been said would apply to others, and notably to the Cardiff case, where the original assessment was £119,000. This was raised to £143,000, and reduced at the arbitration to about £103,000. In the Edmonton case the new assessment is £8,000 less than the old one, which the Assessment Committee tried to increase by £10,000. In the Ampthill Union, the London and North-Western recently succeeded in their appeal to Quarter Sessions, and the rateable value of their line was cut down by about 70 per cent. Can any unbiassed person call the present system of assessment anything better than guesswork when these facts are remembered? Further

examples are not wanting. In 1906 the Midland's assessment in Poplar was reduced by 50 per cent. on appeal, and more recently in Edgware by nearly 30 per cent. Is further proof (of a *prima facie* nature) wanted to show that absolute over-assessment has occurred, and that the present system is indefensible?

Railway assessments in Scotland.—All the Scottish railways are assessed every year by the Assessor of Railways and Canals, each railway being assessed as a whole in the first instance, and the result allocated afterwards. The gross estimated rental, or gross value, only, is taken out by the Assessor, as he is not bound to take out the net or rateable value because almost all the rates are levied on the gross value. Let us now compare the results of the two systems of assessment, *i.e.*, the "parochial" and the "cumulo." The gross estimated rental of the English and Welsh railways rose from £17,708,567 in 1894 to £23,384,160 in 1904, or nearly 32 per cent., whereas the gross estimated rental of the Scottish lines only increased from £1,808,233 in 1894 to £2,022,583 in 1904, or less than 12 per cent. It should, of course, be noted that the length of line open for traffic in Scotland showed an increase of $11\frac{1}{2}$ per cent. during the period, the increase for England and Wales being under 8 per cent. The increase in gross receipts was for England and Wales about 32 per cent., and for Scotland about 37 per cent. The net receipts for England and Wales rose about 13 per cent., and for Scotland about 31 per cent. The figures just quoted as to gross and net receipts have been taken from the Railway Returns, and they are, accordingly, not quite accurate, for, as we have said, well-known reasons, as data by which to compare assessments. But the possible error in them is far too small to affect the fact that the increase in the gross estimated rental of the Scottish lines was proportionately much less than that of the English and Welsh systems, although the increase in the net receipts (approximate) of the latter was so much larger than in the case of the former.

It is now necessary for us to explain how it comes that the railway companies have never asked for the protection against over-assessment, which is enjoyed by other ratepayers, to be extended to them.

Why the companies have never asked for protection.—The companies' surveyors can, however, put forward some arguments in extenuation of their conduct. In the first place, there is no doubt that, owing to the laxity of the local authorities in many places, it was not until the last few years that over-assessment of any railway, as a whole, probably occurred. But on

account of the very nature of the way in which the Act has always been interpreted by the Courts as regards treating each parish as a separate entity—and the consequent liability to over-assessment at any time—this is not a valid excuse for the companies' experts not having always compiled the necessary data, as the first step towards securing the only guarantee against over-assessment. It might have been considered a mitigating circumstance long ago, but not recently. Secondly, although there is no reason to suppose that the companies' surveyors have not been, during the past fifty years, as honourable a body of gentlemen as could be found, still, human nature being what it is, perhaps it is only to be expected that they should not only never have attempted of their own free will to disturb the *status quo* in the direction of this guarantee, but have done their utmost to prevent such disturbance. Any advocacy on their part of the claims of the net annual value of an entire railway to be taken into consideration in fixing the rateable value in a single parish was calculated to tend towards the adoption of the method employed in assessing all other kinds of rateable property. This method is generally known as the "cumulo" method. It consists in valuing a hereditament first as a whole, and afterwards, if it is situated in more than one rating area, allocating the sum so arrived at amongst them. Especially would it tend towards such adoption since the appearance of the Report of the Royal Commission on Local Taxation, for that body, after hearing exhaustive evidence, recommended the appointment of a Government Assessor who would value all the railways by the "cumulo" method. The Scottish and Irish railways have all been assessed in this way for years by Government Departments, and the Royal Commission gave it as their opinion "that the Scottish and Irish systems involved fewer anomalies and possessed many advantages not enjoyed by the English system." None of the Scottish or Irish companies employ the services of a rating surveyor, and the inference is that the English and Welsh companies would not require any either, were a Government Assessor appointed. As the late rating surveyor of the Midland Railway—and their official mouthpiece as chairman of the Railway Rating Surveyors' Association—put it, when speaking at a meeting of the Surveyors' Institution (*Trans.*, Vol. XXXV., p. 413) in 1903: "Personally, and as greatly interested in the matter, I should be sorry to see a central authority established, for I fear that its establishment would mean, so far as I am concerned, enforced idleness." The Scottish and Irish lines are, of course, small compared with

some of the English systems, and it does not necessarily follow that rating surveyors would not be employed at all. Yet the drift of the above quotation is plain. Granting, however, that the companies' surveyors were willing to risk endangering their positions in the interests of the shareholders, it might be contended—but not, we think, wisely contended—that they did not know what to recommend as a substitute for the present system. The obvious answer to the above contention is: “Any alteration which would ensure the total rateable value not exceeding the total net annual value, whether such consummation be obtained by the adoption of the ‘cumulo’ method *in globo*, *i.e.*, the appointment of a Government Assessor, or by the introduction of such modifications into the present system as would lead to the attainment of the above result.”

Evidence given by the companies' surveyors.—Now when supporting the present system in their evidence before the Royal Commission, the companies' rating surveyors put forward only one objection—but claimed it as a fatal one—against the “cumulo” method of assessment—namely, the enormous difficulty, if not impossibility, of dividing up the total rateable value among the various rating areas strictly according to the net annual value of the line in each. Theoretically, of course, this should be done in order that each area should get its fair share of the total. It is, however, as we have seen, only a detail—of practically no importance to the companies, although of considerable importance to local rating authorities—involved in the application of the “cumulo” method. No disparagement of any particular method of allocation of the total rateable value affects the soundness of the “cumulo” principle one iota. The essential feature of the latter, and the one which overwhelms all others from the railway companies' point of view, lies in the fact that it, and it alone, ensures absolute coincidence between the actual total rateable value of a railway and the total net annual value of the same. Hence the only objection the companies' rating surveyors could find against the “cumulo” principle of assessment was the question as to the way in which a certain detail—the treatment of which mattered but to a microscopic extent to their employers—should be dealt with. At the same time, by throwing the whole weight of their evidence into the scale against the adoption of the “cumulo” principle of assessment, they acted in a way calculated to prevent their employers obtaining what was of vital importance to them—namely, a guarantee against the over-assessment of each railway. It is not surprising that the

Royal Commission gave no heed to their evidence; in fact, their recommendations were diametrically opposed to it. As regards the attitude adopted by other interests towards the "cumulo" method, there is no doubt whatever that the creation of a central rating authority would hit the large army of rating surveyors and lawyers at present employed by the Assessment Committees in appeal cases extremely hard. Consequently, powerful so-called vested interests must be overcome before the needful reforms in railway assessment matters can be brought about.

Why the companies' rating surveyors have not compiled the essential data.—Since the reports and accounts of all the railway companies are not available, the Railway Returns of the Board of Trade afford the only data from which an estimate can be made of the amount at which the total rateable value of all the railways ought to have stood at any given period, were each railway valued as one undivided entity. It is not difficult to frame by their aid good *primâ facie* proof that absolute over-assessment must have occurred in 1904. But perfectly definite and accurate proof cannot be obtained from these Returns. Every rating surveyor, and, indeed, every rating surveyor's clerk, knows that many of the figures given in them are, for various reasons, necessarily different from those on which a calculation of the total net annual value of an entire railway should be based. Nevertheless, they are the best that can now be had. Accordingly, anyone making such an estimate must necessarily use them. No responsible defender of the present system of assessment would dream of arguing that the railways were not over-assessed, say, in 1904, because calculations based on these Returns did not afford absolute proof that they were. He would see that such an argument would recoil on his own head, and for the following reason: The mere fact that the results disclosed by these Returns—although the latter admittedly constitute the best data now available—afford only *primâ facie*, and not definite proof, is one of the strongest reasons why the railway companies should compile the reliable data we have asked for. These would alone settle the question. The compilation of the accurate data is, however, precisely what the upholders of the present system are anxious to prevent if they possibly can. The companies' rating surveyors, who alone could compile them, have not done so, and will not do so except under pressure. Hence no prudent or responsible defender of the existing system would be so foolish as to say a thing which would help to make the need for these accurate figures clearer. They are doubtless aware that the compilation

and comparison of the figures here demanded would in all probability soon be followed by the death-knell of the present system. Herein lies probably the real reason why the companies' surveyors have not hitherto compiled these data.

Briefly, then, there are two alternative courses open to the railway companies if they wish to secure the only real and satisfactory guarantee against over-assessment of their property.

The two alternative remedies:—

(1) To press for legislation on the lines recommended by the Royal Commission on Local Taxation, viz., the appointment of a central authority which would value every railway on the "cumulo" principle.

(2) To press for such an amendment of the Assessment Acts as would ensure the amount of the total net annual value having to be first settled, either by agreement or in the Courts, even in cases where the assessment in only a single parish was under consideration. The above amount, thus determined, to be divided among the various parishes or rating areas. As regards existing assessments, wherever the actual total rateable value, or assessment, was found to differ from the total net annual value, some alteration in the law would probably also be required to enable the difference to be distributed without disturbing the balance of assessments between different rating areas. This could be done by a percentage reduction or addition, as the case might be. For instance, suppose that the actual total rateable value of a line was found to exceed the total net annual value by 10 per cent. Then the measure of justice now existing between one parish and another would, of course, be unaffected by reducing the rateable value in each parish by 10 per cent.

The latter alternative must naturally only be taken as the bare bones of a suggestion which needs to be clothed with the flesh which the legal profession alone can supply.

Their relative merits.—As to the relative merits of the two, there is no doubt that—looking at the evidence given before the Royal Commission—if the assessments were made by a central authority, (1) the number of, and expense involved in, appeals would be a great deal less than under the other alternative; (2) the standard of railway assessments would be more uniform throughout the country. It must not be forgotten that, were the second alternative adopted, a company which had won an appeal would (as at present) generally have, as large rate-payers, to pay a goodly share of the total cost. In Scotland the expenses of assessment are paid by the companies in proportion

to their assessment, and the total cost has been stated by the late Assessor to be about one-fifth of a penny per pound of gross value, or, say, one-sixth of a penny per pound of rateable value. In other words, if a central authority for England and Wales were worked with equal economy, the total expense would only be, say, £12,000 per annum. So much as to the cost of making the assessments. No figures are available as to the sums spent either by the Scottish or Irish companies on appeals; but the evidence given to the Royal Commission shows that they are very trifling, and proportionately, infinitely less than the amounts expended in England and Wales. In short, the proposal that the recommendations of the Royal Commission should be carried out is, theoretically, the ideal one. The other alternative has only been tentatively put forward, because, in this age of compromise, it would possess the following substantial advantages from the point of view of certain so-called vested interests.

(1) Possible loss of situation to any of the companies' rating surveyors would be thereby avoided.

(2) It would not involve any radical change, so far as the fixing of the assessments by the local authorities, and the general practice of appeals, are concerned.

(3) The number of, and cost of, appeals would probably not be diminished to so great an extent as under the first alternative. Hence this proposal would not affect the lawyers and rating surveyors who act for the Assessment Committees nearly so much as the other, and consequently would not be so vigorously opposed by them.

(4) Any known method of allocation of the total rateable value would—assuming the creation of a central authority—be liable in many cases to alter seriously the assessment of a line in certain parishes, even in cases where the total assessment was but little, if at all, interfered with. Thus the balance of justice between one parish and another would be liable to be disturbed. Such a disturbance would perhaps interfere to some extent with the finances of districts which have borrowed money largely on the security of the rates paid by the railway companies within their borders.

The second alternative would, on the other hand, perhaps ensure the allocation approximating more closely to net earnings. This is possibly the only respect—inasmuch as the allocation would be unaffected—in which the second alternative is theoretically better than the first. Some doubt might possibly be thrown on the expression of opinion that, if the second course were adopted,

any large reduction would be brought about in the number and cost of appeals, &c. It is probable, however, that, in view of the fact that the net annual value of the whole line and stations would necessarily have to be considered before any increase on account of improvements at stations, &c., would have a chance of being sustained, the rating surveyors who act for the Assessment Committees would frequently find themselves in a difficulty. They would naturally be chary about advising that an appeal should be taken when the existing assessment of the whole line could be shown (as would often happen) to be up to the mark, *i.e.*, to the total net annual value. To do so would, in the event of success, be likely to promote an agitation for valuation by a central authority—a consummation they naturally dread. On the other hand, if they recommended that no appeal should be taken, they would obtain comparatively little remuneration. Consequently, whatever the nature of their advice, they would stand to risk receiving less money.

*What method of allocation should a central authority use?—*The method of allocation which ought to be adopted by a central authority, were such created, is open to question. In fact, a method which would give results approximating closely to the respective net earnings, &c., in *all* cases, remains yet to be discovered. The perfect method would be accurate, and yet both inexpensive and therefore simple. Herein lies the difficulty. The system of allocation by linear mileage which is used in Scotland has very serious defects, and could not be thought of. The Irish system consists in dividing a whole line into reasonably short sections of supposed equal earning power, and then dividing the total among the sections, according to the train-mileage in each, with certain adjustments. The valuation per lineal perch is, of course, constant throughout a section, but varies from section to section. This system is, in the opinion of the Royal Commission, a great deal better than the Scottish. A still further approximation to the net earnings, &c., would probably be obtained by varying the Irish system to the extent of employing vehicle-mileage instead of train mileage. The former is almost as easy to compile as the latter. Such a method would, of course, be far from perfect, but a better has not yet been found.

Conclusion.—There is scarcely a shadow of doubt that the necessary protection would have been secured by the railways before this, had not the companies' surveyors shown such bitter hostility to the "cumulo" principle of assessment in their evidence before the Royal Commission on Local Taxation, and on

several other occasions. Advocacy of the "cumulo" method has been like preaching in the desert, but there are a few railway-men who understand the situation thoroughly. One of the ablest and most prominent railway officials in England (not a surveyor), whose knowledge of assessment matters is probably unsurpassed by any of the companies' surveyors, delivered himself of the following in the *Railway News* of April 5th, 1902¹: "There are those amongst us who have been for many years like voices crying in the wilderness for the abolition of the parochial system of assessment, and great, therefore, was our disappointment and dismay when it was found that all the rating experts representing the English railway companies before the recent Royal Commission on Local Taxation were in direct antagonism to this much-needed reform. Of what use is it, sir, for the chairmen of railway companies to cry out loudly against the over-assessment of the properties committed to their charge, if the principle of 'cumulo' valuation (by the operation of which the railways as a whole, at any rate, would be fairly assessed) is assailed by the astute gentlemen who preside over their rating departments? It would not, I think, be difficult to show that it is to the system of assessing each railway as a whole, followed by an allocation of the assessment amongst the parishes through which it passes, that we must look for, first, a *check* in the growth of, and second, an absolute *reduction* of the rateable valuation of English railways."

In the preceding pages we have explained wherein the "astuteness" just quoted consists, and it now lies with the companies to do their part, so that railway shareholders may be permitted to enjoy that measure of nothing but ordinary justice which the Legislature undoubtedly intended to mete out to them, but which they, alone of all occupiers of rateable hereditaments, have not hitherto received.

F. O. LYONS

¹ Letter entitled "Local Taxation: Shareholders' Increasing Burdens."

REVIEWS

Land Reform: Occupying Ownership. By the Right Hon. JESSE COLLINGS, M.P. (Longmans, Green and Co.) New and popular edition, 2s. 6d.

THAT Mr. Jesse Collings, who so directly springs from the agricultural yeoman class, and who has always so consistently advocated their claims, is an authority well qualified to speak on this subject no one will deny. There is much in his book that is most instructive—indeed, fascinating—reading. Especially are the chapters dealing with the origin and growth of the English land system, the peasant revolts, the divorcement of the labourer from the soil, and the existing land hunger well worthy of perusal, not only because of their historical accuracy, but because of the concise and cogent manner in which they are written. Mr. Collings has collated and stated with brevity the cause and nature of the evils underlying our present landed system, and it cannot be pleasant reading for the great landowning and governing classes in rural England.

It is, however, when Mr. Collings comes to state his remedy that many Land Law Reformers will not be able to follow him. He paints in much too lurid colours the present unsatisfactory condition of agriculture in order to make out his case, *i.e.*, that occupying ownership is the one and only remedy. Indeed, he takes a too gloomy view of the position of agriculture generally in this country. In the preface to this new edition he says, "Whilst every other industry is being developed to its highest point, that of agriculture is neglected and fast decaying," and he goes on to speak of the conversion of arable land into pasture, and the decrease by nearly ninety thousand acres of land under cereals as a "terrible evil." But is there any good evidence that agriculture is a decaying industry? On the contrary, the farming class have in recent years much more adapted them-

selves to new conditions of cultivation, and farms of all sizes are now being eagerly competed for throughout agricultural England. As for the turning of arable into grass land, the dairy farmers of Cheshire and Shropshire are wise to do so, because they can make it pay better, whilst over vast areas in the eastern counties agriculturists are finding that potatoes, fruit, vegetables, and flowers pay infinitely better than cereals. Mr. Collings is far too pessimistic about agriculture generally, and he really disproves his own propositions when he shows (as, indeed, the thousands of applications under the Small Holdings Act show also) that the labouring class, who are shrewd and practical cultivators of the soil, are themselves struggling to become farmers. Would there be this demand from the men who best know the possibilities of the soil if agriculture was a "decaying industry"?

Mr. Collings quite honestly believes and states that the "magic of ownership" is the essential feature of any land reform, and that we must re-create the occupying owner. Finally, he says: "If the agricultural part of Mr. Chamberlain's proposal (*i.e.*, tariff reform) were added to my scheme, its success would be more speedy and assured—the two sets of proposals hang together, each the complement of the other." The fact that Mr. Collings declares that his proposals for land reform are bound up with tariff reform is disconcerting, to say the least of it. Fortunately, there are still living many witnesses in the agricultural districts of the hardships suffered by the labouring and farming classes in the days of protection, and Mr. Collings will find it an impossible task to persuade them to run the risk of a recurrence of those times, even if it is to be sweetened by the possibility of peasant proprietorship!

To substantiate his case for occupying ownership as against tenancies, he makes far too much of the small and limited experience of the Worcestershire County Council at Catshill under the Small Holdings Act, 1892, and ignores the equally successful experiment of the Holland (Lincolnshire) County Council of letting land to occupiers at a fair rent with fixity of tenure under the self-same Act. He foretells that the Small Holdings Act of last Session will be "an expensive failure," because it favours tenancies, and not occupying ownership. It does not do to prophesy before you know! Facts are stubborn things, and one fact stands out prominently, *i.e.*, that of the thousands of applications which have been received during the last three months for land, to the extent of a quarter of a million acres, not five per cent. of the applicants have expressed a desire to become occupying owners,

as they could do under the provisions of the 1892 Act, which still remain in force. Practically the whole of the applicants evidently prefer to become tenants of the local authority, and thus to retain all their limited capital to farm with.

The common ground on which all Land Reformers will, however, agree with Mr. Collings is in the desire to improve the present lot of the agricultural labourer, and to root him once again in the soil, and, therefore, a popular edition of Mr. Collings's book is very welcome.

R. WINFREY

English Local Government from the Revolution to the Municipal Corporations Act. By SIDNEY and BEATRICE WEBB. Vols. II. and III. The Manor and the Borough. (Longmans, 1908.)

THOSE who have read *The Parish and the County* will expect to find, and will find, in the volumes which succeed it, the same qualities of industry, enthusiasm, and vivid descriptive power. At the same time, from the nature of the subject-matter, it will be much harder in the new volumes than in the old for them to sum up what they have learnt in the form of a few general conclusions. It is true that the collocation of Manor and Borough is no mere accident. Perhaps, indeed, the truest general statement that can be made about the English Borough is that it is a kind of Manor. As the authors say (p. 338), "a town which became the seat of a Municipal Corporation did not thereby cease to be a manor." In most of the two hundred boroughs which they decide to include within their definition of a municipal corporation, an actual transition can be traced by almost imperceptible steps from the purely agricultural manor to the adaptation, more or less successful, of the manorial constitution to urban conditions. Since different towns and villages stopped at different stages in that development, the authors are able to show the whole process by a horizontal section, and the statement in the publisher's advertisement of the book is justified, that "The seigniorial franchises and royal charters which exempted portions of the country from county jurisdiction are shown to constitute a single genus, if not a single species; and the different local authorities thereby created are . . . arranged as members of a continuous series, in which no break occurs from the smallest rural hamlet up to the Corporation of the City of London itself." This arrangement brings out, indeed, the importance of that intermediate class of

“Manorial Boroughs” which the authors describe, for the first time, in Chapter III.

But all definitions and classifications applied to a “continuous series” are difficult and more or less arbitrary. The authors themselves point out that, in dealing with the Borough, “our first difficulty was to arrive at any precise definition of the subject-matter” (p. 262). Incorporation, which comes at once into the mind of the average student as the differentia of a corporate town, will not do. “The privilege of incorporation, with the rights of legal personality and perpetual succession, and the use of a common seal, had been granted by charter or statute to all sorts of bodies, religious, commercial, or educational, having no connection with local government” (p. 263). Nor is the right to return Members of Parliament, or the duty of paying a tenth instead of a fifteenth to the subsidies, more satisfactory. They decided at last on “the fact of enfranchisement from the county officers” (p. 266) as the test, and included as Municipal Corporations “all those communities which . . . enjoyed the privilege of clothing one or more of their members or officers . . . with the well-known powers elsewhere given by the Commission of the Peace” (p. 267). This definition fits in with their classification of Manors and Boroughs together as “Exemptions, Immunities, and Franchises, which enabled the inhabitants of particular localities to exclude the authority of the county at large, or that of one or other of its officers” (p. 3)—a classification which is perhaps less convenient when applied to the Manor than when applied to the Borough.

The authors are throughout, however, concerned not so much with definition as with description, and the difficulty of their subject-matter shows itself most when they try to create in the minds of their readers either pictures of typical boroughs, or a vision of the historical process of change. The reader feels like the average Londoner who, having gone to Kew Gardens with a vague idea of a lily or a willow-tree, comes out, as he thinks, incapable for life of recognising either one or the other again. The organisation of the Parish and of the County was the result of Parliamentary statutes of uniform application, and that fact made it easy for the reader of the earlier volume to follow and remember the modifications produced by local circumstances. The organisation of the manor and the borough was left practically untouched by statute, and research is breaking up even the apparent uniformity of manorial custom from which their history starts in Domesday Book. The one unifying force during the period

1689–1835 was indeed the unintended influence on burghal organisation of the statutes by which the squires who sat in the seventeenth and eighteenth century Parliaments aimed at consolidating their control over the villages on their estates. As the authors say, “this progressive enlargement of the jurisdiction of the justices led, in the Municipal Corporations, to the rapid decay of the ancient authority of the Manorial Courts and the silent transformation of the tribunals once specially characteristic of a Borough—the Hundred Court or Portmanmote, the Borough Court or Curia Burgi—in which the whole Corporation had participated, into Sessions of the Peace, shared in only by the two or three or half a dozen corporate Justices” (p. 386).

Beyond this, Parliament made no general attempt to deal with municipal constitutions, partly because the country gentleman could not, and did not, know the facts, partly because they did not care. If the scandal of any particular borough became intolerable, it could, in the eighteenth century, be dealt with by an Act creating a respectable body of trustees for carrying out a particular service. “This alone,” said Pitt in 1755, in a phrase reminiscent of Pope’s disastrous couplet, “is with me sufficient argument for not giving myself much trouble about the form of government established in any of our Cities and Boroughs” (p. 457). In the seventeenth century individual interference had taken the form of the withdrawal or remodelling of Royal Charters, and “by 1689 most Boroughs had received successive charters inconsistent with each other, and it became open to question which of them was the more authoritative. This uncertainty as to which among several charters was to be considered the ‘Governing Charter’ was immensely increased by the events immediately preceding the accession of William and Mary” (p. 268).

All histories must have a beginning in time, and all beginnings in time are unsatisfactory at the best; but it is unfortunate that the date 1689, which serves well as a starting point for that consolidation of parochial and county administration which occupies the first volume, or for that series of “statutory” bodies which will be described in the volume which is to come next, is extremely ill-adapted to the material of the present volumes. The condition of Manors and Boroughs alike in 1689 is unintelligible without a view of their development resting on evidence earlier than that date, and the authors find themselves again and again, in footnotes and text, compelled against their will to give such evidence, and to indicate their opinion of its significance.

And yet the emotional and intellectual effect of this new instalment of a great work is deeper than that of its predecessor. To us, in our time, the issues of urban life are more urgent than those of rural villages or counties, and we seem to come near the heart of things as we read, on the tiny scale of two hundred years ago, of the effects of stupidity, and selfishness, and party spirit, and of the inevitable bewilderment of short-lived human beings, upon the health and progress of the race. We get for the first time a historical background for the difficulties of municipal democracy. The reforming Mayor of Deal (pp. 312-315), with his more than American confidence in government by first principles, lives in our memory as clearly as the sordid electioneering of Norwich (pp. 529-557). The little tragedy of the Mayor, Bailiffs, and Burgesses of the Borough of Berwick-on-Tweed (pp. 504-529) is not less vivid. They started in 1603 as one or two hundred heads of families administering, by a succession of meetings open to all, their municipal affairs and a common property worth a quarter of a million pounds. Each year we see them preferring their own interest to that of their neighbours, and the interest of the moment to that of the generation to come, until in 1828 the "idle, thriftless, loafing families to whom the Burghership served almost as a livelihood" have become, in the words of their own Recorder, "an odious by-word in all the adjoining country" (p. 529). More subtle is the story in Chapter X. of the City of London in the eighteenth century, with its amazing complication of customary blackmail and respectable devotion of public funds to personal extravagance and advantage. Only a Royal Commission could carry on that section of the history to the present date, and describe the character of the reforms carried out during the nineteenth century, and the degree of their success.

Throughout the whole narrative we feel again and again that "public spirit"—the combination of foresight and sympathy on which good government depends—is not a mere mechanical result of the right to vote or govern, but requires choice of areas, of methods of appointing officials, and of schemes of finance, and a continuous education of the citizens, all directed by an art whose study we are only now beginning. This feeling of the enormous difficulty of the problem and of the danger of easy dogmatism goes far to explain that note of impatience with the traditional Whig atmosphere of English political science which always marks Mr. and Mrs. Webb's work. Though they state that the overwhelming majority of the corporations were both Tory and ineffi-

cient, they are careful to point out that Whig opinions did not lead necessarily to municipal virtue, and the number of pages which they give to Whig offences is larger than those given to the offences of the Tories.

Sometimes this feeling, although it gives vivacity to the book, seems to me to result in a certain loss of historical perspective. Those Whigs and Radicals, for instance, who initiated and carried the Municipal Reform Bill of 1835 succeeded, by means of immense courage and skill, in establishing, against enormous odds, a beneficent revolution in the condition of English urban life, at the one moment of their time when it was possible to do so. No student of recent English history will believe that a Bill of that kind could have been carried by Lord Melbourne's helpless administration between 1837 and 1841, or that Sir Robert Peel could have induced his Cabinet to put it forward between 1841 and 1846. Though the authors, however, praise the learned inquiries of the individual members of the Commission of 1833, they criticise, quite legitimately, the hasty and dogmatic report which was rushed forward by Blackburne, and Parkes, and Place in the spring of 1835. But they go on to speak of the "sweeping simplicity" of the Bill as actually presented (p. 738), and to complain of the absence of ideas which, as they themselves say, "had in 1835 scarcely risen into the consciousness even of political students" (p. 752). One can imagine Mr. Webb's fury if the chance of passing one of the great reforms in which he is interested were now lost in order that a few more years might be spent in completing an historical inquiry, or discovering a new political philosophy.

The splendid index of the book again contains no mention of Bentham, and the only reference to him in the text is the statement on the last page, unexplained and unprepared for, that the plan of a local body responsible not for this or that function only, but for "the good government of the Borough," was one "in which we may detect the pure milk of Benthamism" (p. 755). Bentham died in 1832, but his outline of a constitutional code, though still unpublished, was in 1833 well known to his disciples; and Parkes and Charles Austin among the Commissioners, as well as Francis Place, who brought such important driving force to bear at the critical moment, were Benthamites in the fullest sense of the word. They missed, indeed, that organic connection between the central and local administration which Bentham had advocated, but Chadwick was the only one of Bentham's disciples who seems to have understood

him on that point, and Chadwick had no connection with the Commission.

The "sweeping simplicity" of the Bill and the absence of "a detailed separate reform of all the varied Borough constitutions and jurisdictions" (p. 738) was itself, indeed, another mark of "the pure milk of Benthamism." Chadwick, in one of his pamphlets, tells how the master used to urge his disciples "to do the same thing in the same way, choosing the best, and always to call the same thing by the same name." A series of "separate reforms," of the individual "constitutions and jurisdictions" would have prevented that general intelligibility which made the municipal progress of the nineteenth century possible. No public-spirited citizen who moved to a new borough would have understood his new constitution, and no Member of Parliament would have understood the constitution of any borough at all.

But I cannot end with what is, after all, a minor criticism, or abstain from again expressing my gratitude, as one interested in the development of municipal institutions, for the labour and thought which has been put into this book, and my sense that, great as that labour has been, it was fully worth while. It is history which provides the politician with the material of his thoughts and the suggestion of his inventions, and until Mr. and Mrs. Webb determined to devote a great part of their lives to the task, no history existed of those English municipal institutions whose success in our time, while it has, on the whole, been remarkable, has yet depended upon conditions easily overlooked by the man of action.

GRAHAM WALLAS

The Housing Problem in England. By Professor ERNEST RITSON DEWSNUP. (Manchester: The University Press, 1907.) Pp. 321.

Comune di Venezia. Case Sane, economiche e popolari, 1907.

APART from the numerous and admirable official reports, the literature of the housing question, though voluminous, is of little use to the serious student. It consists, for the greater part, of more or less sensational volumes or pamphlets, which contain highly coloured descriptions of the horrors of overcrowding, or of the squalors of slums, but little or no attempt to treat the subject, difficult and complex as it is, in a scientific spirit. Professor Dewsnup's book is, therefore, useful and timely. Although he occupies an American chair, he has special opportunities for

keeping in touch with English municipal life, and he has made himself familiar with the blue-books, debates, and reports that deal with housing. Perhaps more use might have been made of local reports and plans, and a closer familiarity with the actual towns which have been prominent in their dealings with the problem would possibly have increased the value of the work; but it would be ungracious to demand too much in view of Professor Dewsnup's modest preface.

The book is divided into three parts. The first of these sketches the development of the English housing problem, and surveys its present condition. Both here and later in the book Professor Dewsnup shows that he is decidedly more familiar with urban conditions than with agricultural life, and his treatment of the rural side of the question is a less valuable contribution to the literature of the question than is the rest of his work.

The second part of the book deals with the course of housing legislation, and gives an excellent account of the development of legislation and the use which has been, and may be, made of the large body of law that bears upon the question. This section should be particularly useful, for but little seems to be generally known of the existing state of housing legislation, and the very large powers which it bestows upon local authorities, not only as to construction of dwellings, but as to improvements and safeguards for future construction. Indeed, Professor Dewsnup shows clearly what has long been known to many students, that if administration had kept pace with legislation, the problem would have been a great deal nearer solution than it is.

The last part discusses housing policy in England, and is mainly devoted to a consideration of the functions of the municipality, though there is a chapter on taxation, one on rural housing, and one on voluntary enterprise and transportation facilities. It is, of course, impossible to deal fully with the many-sided aspects of voluntary enterprise in a work of this nature, but though Professor Dewsnup has only attempted a slight account of this side of the question, the chapter is suggestive and useful. His conclusions on the whole matter seem to be that the primary and enormously important function of the municipality is sanitary supervision. Steady pressure by the sanitary authorities upon both landlord and tenant will help to educate them and to stimulate the demand for a supply of better dwellings. Municipal house-building he considers "foolish and expensive" and "detrimental to the real interests of the community whose welfare has been desired": a view which will

probably be shared by many of the students of the question, though not, it is to be feared, by popular opinion. A careful study of the housing history of any town where the policy advocated by Professor Dewsnap has been even partially applied will probably confirm his readers in agreement with his views. Lastly, the book has a number of useful appendices, and a useful though not exhaustive bibliography.

The Commune of Venice sends a report with many elaborate plans of its dealings with the housing of the poorest classes. The problem in that town, of course, presents peculiar aspects. Owing to its position the town cannot expand; there are special difficulties as to the dampness of the lower parts of houses; there is much overcrowding and great density of population. The town is making various efforts to deal with these difficulties. It encourages private enterprise by prizes and premiums, and it also undertakes building on its own account. The report is interesting, though, owing to the great differences of social habit and geographical position, but little light will be thrown upon the English housing problem by a study of Venetian conditions.

L. FISHER

British Colonial Policy, 1754-1765. By G. L. Beer. (New York: The Macmillan Co., 1907.)

TIME and truth are conspiring to exact a scientific revenge, and they are exacting it pretty completely. The causes and nature of the revolt of the American colonies are already responsible for a vast literature: more particularly in the last two years, American scholars, by their careful researches and their determination not to bow the knee to the spurious Baals of a historic market-place, have taught us much as to the facts in the controversial issues of the great struggle. Mr. Beer's new book on an old subject will add to the reputation he has already won in this field, and if we can imagine Bancroft reading it, it would be difficult to say whether he would be more pained or more surprised. Take, for example, these two sentences illustrative of the writer's standpoint:—"In fact, it would be difficult to estimate whether colony or metropolis was called upon to bear a greater proportion of the sacrifices demanded by the prevailing ideal of a self-sufficient commercial Empire" (p. 201), and: "It is easily conceivable, and not at all improbable, that the political evolution of the next centuries may take such a course that the American Revolution will lose the great significance

that is now attached to it, and will appear merely as the temporary separation of two kindred peoples whose inherent similarity was obscured by superficial differences, resulting from dissimilar economic and social conditions" (p. 316). Historical students will probably be reluctant to follow into the uncharted sea of political prediction, but the conflict between the sentence just quoted and the emphatic verdict that precedes it, to the effect that "the fundamental question at issue was the political independence of the American colonies . . . essentially a movement for national independence" (p. 315), is apparent, though, perhaps not irreconcilable. Mr. Beer, however, is rightly more concerned with a relentless cross-examination of "the legend that has developed round the movement," and with exposing the misinterpretation of the facts which gave the legend colour and an unwarranted substance, than with the vain attempt to prove a prophecy. Elsewhere, Mr. Beer puts his finger on the heart of the matter. "It is frequently," he writes (might we not say "always"?) "far more (equally?) important to know what people at the time thought were the results, rather than what these actually were" (p. 201). And a British reader may be permitted to interpolate the criticism that Mr. Beer's book would suggest at first sight that the misinterpretation of the situation was more on the American than the English side. This is peculiarly flattering to a generation which starts with the axiomatic boast that in matters of colonial and economic policy it is far juster, fairer, and more impartial than its fathers. Unfortunately, as Mr. Beer knows, it is scarcely true. There was a prodigious American legend, and we must be grateful to American scholars for destroying it piecemeal. But we have a little legend of our own, or, rather, two legends. The first, the product of defeat and a century's repentance, that from the beginning we were wholly in the wrong, which Sir George Trevelyan alone perhaps now takes the trouble to turn into solid volumes, and which finds no home even in the home of lost causes, Oxford; the second, a conviction studiously instilled by the descendants of the victors that we were wholly in the right. Mr. Beer and the American scholars are not doing us a service if, even indirectly, they seem to stiffen the arguments in its favour. When carefully read as a contribution to some aspects of the question, and not as an exhaustive statement of the whole controversy, Mr. Beer really lends no support to such a theory. His elaborate essay is therefore very welcome as an analysis of the principles and results of the decade that immediately preceded the struggle. It is primarily a piece of imperial economic history, worked up

from unpublished sources of information—the State papers, “virtually undisturbed since they were filed away a century and a half ago.” To these Mr. Beer has added the contemporary pamphlet literature, and a mass of other information drawn from journals, colonial records, and the Historical Manuscripts Commission. The result is a book, exceedingly well documented, but also thoroughly readable, because its subject matter, intrinsically interesting, is handled in an interesting way. And the wealth of matter from the unpublished sources in the elaborate notes makes the volume a valuable book of reference to critical students. Broadly, Mr. Beer’s thesis is to show how “imperial defence was the rock upon which the old Empire shattered itself,” for which his argument is both economic, constitutional, and political. The old colonial system, he shows conclusively, failed to provide a system or principles to meet adequately either the needs previous to the seven years’ war, the war itself, or the situation created by the peace. The attempt by British statesmen to adapt on recognised principles the loosely jointed fabric to the conception of Empire held at the centre came into conflict with the half-concealed aspirations for national independence in the colonies themselves, and, secondly, by causing the principles to be pushed to their legal and logical extremes, brought about the downfall of the system itself. Indirectly, Mr. Beer is able to touch on economic theories, but a separate chapter on the development of economic science would have been very relevant to the argument. Such a chapter would have shown how the commercial and constitutional foundations of the system were already sapped.

Thirteen years after the Peace of Paris, Adam Smith’s treatise summed up the revolution in economic science which administered the *coup de grâce* to a worn-out creed. For the eighteenth-century economics were politics and politics economics. If Grenville’s Stamp Act now appears as a gallantly logical attempt to make an unworkable system of Empire work, Stewart’s Political Economy (1767) is the last sputter of the dying mercantilist faith. And if it be objected that these are events outside the date of Mr. Beer’s work, it may be answered that Smith’s doctrines were not a red-hot novelty in 1775, but had been fermenting in his brain since 1749, and already given in lectures by 1763, and that Captain Jenkyns claimed to have lost his ears in 1731 for the very cause that was stated fifty years later in their fiscal and scientific form in *The Wealth of Nations*. The principles implicit in “the colony war” of 1739—of natural right, *laissez-faire*, *laissez-aller*—became the kernel of the controversy by 1763. We are here

confronted with the duty of tracing from obscure beginnings the evolution of the new economic creed in the American colonies, which, quite as potently as the expulsion of the French from Canada, made the imperial ideal of the old system dissolve into obstinate questionings, and end in revolt and disintegration. Mr. Beer offers more than a hint when he emphasises the importance of the clearly-marked change produced by the military and naval victories in the economic theory of colonisation, which, in turn, necessitated modifications in the trade laws. Modifications of detail, it must be noted, not of principle. For as yet they involved no assault on the fundamental political and economic assumptions on which the old Empire rested. But the slow revolution in economic science necessarily led to a frontal attack on the validity and worth of the principles themselves. "To prohibit a great people from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind." Adam Smith, and those who had come to think with him, reduced the issue to an intolerable dilemma. Either you rejected the reasoning of economic science or you perpetuated the system by violating the most sacred rights of mankind. Mr. Beer (p. 208), it is true, adds the weight of his authority to the conclusion that, prior to 1764, "the attitude of the colonies towards the system was one of acquiescence." But what does "acquiescence" mean? Mr. Beer shows elsewhere it was acquiescence in a system frankly and largely evaded, the acquiescence, in fact, of a priest who marries in the principle of sacerdotal celibacy. What we now require to know is how far the American colonists, prior to 1764, really accepted, not the sovereign right of the imperial Parliament to do something possibly wrong or at best expedient when you have struck a rough balance, but the economic truth of the system stripped of its political trappings. Mr. Cannan and others have laboriously tracked the genesis and growth of Smith's economic creed in Great Britain from 1749. The inquiry must now be shifted to the American colonies. Whence, where, and how did Franklin, Adams, and Otis get that "intellectual tendency towards these *laissez-faire* ideas that two decades later were embodied in Adam Smith's monumental work?" Mr. Beer, who has mastered the colonial papers and the contemporary literature, will perhaps lay us under a fresh obligation by answering the question in another monograph.

C. GRANT ROBERTSON

Municipal and Private Operation of Public Utilities. Report to the National Civic Federation. In three volumes. (New York, 1907.)

THE National Civic Federation consists of a number of American citizens interested in public questions, and evidently brought together by the stimulating belief that the path of true reform is best ascertained by the association of men of widely differing views. A Commission of the Federation, with a membership of 150, was formed in 1905 to consider the question of municipal trade, as we should call it, and this Commission subsequently appointed a Committee of Investigation. This Committee consisted, in about equal proportions, of "those regarded as 'pro's,' those as 'anti's,' and those who were classified as having taken no pronounced position" (p. 12). The plan of investigation adopted was to examine selected examples of both publicly and privately owned waterworks, gasworks, electrical works, and tramways in the United States and the United Kingdom, experts, generally one "pro" and one "anti," being sent in advance to make preliminary reports and to facilitate the inquiry generally. After personal inspection by the Committee as a whole, four members, two "pro's" and two "anti's," were appointed to compile the results of this investigation, whilst historical and political reports were called for from other writers. Then a final report was drafted and signed by 19 out of the 20 available members. All these results are included in three volumes, the first containing the final report and the reports giving the results of the inquiries, and the other two volumes containing the reports of the experts. At first sight, at all events, the conception of the inquiry appears to have been simply admirable. But the sad truth is that good organisation, though excellent for producing finished goods, may be very inefficient in turning out sound conclusions or ready-made public opinion.

It is first to be noted that out of the nearly 2,500 pages in these volumes less than eight are devoted to the final report. A short unanimous report may, of course, be of extreme value, but in this case we cannot help suspecting that it is to the person who drafted the following sentence that the credit for the remarkable "degree of unanimity manifested" must be attributed. "The Committee takes no position on the question of the general expediency of either private or public ownership" (p. 26). But was not this the very question on which it was hoped that they would report? However, in spite of this serious limitation, this report does contain certain valuable conclusions, which, as great

weight should be attached to them, ought to be widely known, and may be here briefly summarised. In the case of the "public utilities" investigated, government control is necessary in all circumstances. "There are no particular reasons why the financial results from private or public operation should be different if the conditions are the same." But we may remark in passing that, if the conditions are not likely to be the same, the value of this conclusion is doubtful. "Undertakings in which the sanitary motive largely enters should be operated by the public" (p. 23). Also, "municipal ownership of public utilities should not be extended to revenue-producing industries which do not involve the public health, the public safety, public transportation, or the permanent occupation of public streets or grounds" (p. 23). This sentence must be read with care, for it does not state that "the opposite is advisable" (p. 28), and it is to be noted that, if accepted, it would place a check on municipalities by preventing them from undertaking such trades as the manufacture of electrical fittings. Moreover, it appears from these sentences that the Committee does take a position on certain questions concerning ownership, and presumably their statement that they do not do so only applies to the "public utilities" investigated. Terminable concessions are advocated, and thus English legislation concerning gas and water stands condemned. Certain conditions are laid down as being necessary for the success of municipal trade, perhaps the most important being the appointment of "an executive manager with full responsibility" (p. 25). As to American corruption, they "are unable to recommend municipal ownership as a political panacea" (p. 26), their reason probably being that "municipal ownership will create a large class of employees who may have more or less political influence" (p. 27). But this final report is, in truth, so condensed that it will hardly bear further condensation.

After this final report, and a short report by the one dissentient who condemns municipal trade vigorously, there follow the above-mentioned reports by various writers. The American Municipality and the English Municipality are first dealt with by Mr. W. L. Fisher and Prof. F. J. Goodnow. Then follow a series of articles which may not unkindly be described as the cases for and against municipal trade. In reading them grave doubts must be felt as to whether the method of investigation was as sound as it appeared at first sight to be. The number of works of each class examined was small, only four municipal gasworks and three private gasworks, for example, being in-

spected in England. But the nearer the equality between competing classes, and the greater the divergence between the specimens, the greater must be the number of samples taken in order to decide on the relative merits of such classes. The impression made by reading these reports is that the best municipal and private works are sufficiently nearly on an equality in all matters which can be recorded in statistics to prevent a comparison between four municipal works and three private works from yielding any indications of value as to the merits and demerits of municipal trade generally. Moreover, the local circumstances vary much, and "it is very difficult to estimate the allowance that should be made for" the conditions affecting particular plants (p. 21); yet allowances must be frequently made, and it is for this reason that the same material is often made to suggest very different conclusions. Then again, although in these circumstances especial care should have been taken to select typical examples, the Committee appear to have deliberately chosen "the best available samples" (pp. 304 and 165). This is especially unfortunate, since the effects of disasters in public and private trade are very different. Moreover, the detailed examination of a few chosen samples tends to make details too prominent, whilst pushing more important general questions somewhat into the background. Lastly, the appointment of writers as the avowed advocates and opponents of municipal trade seems to have had the effect of intensifying their spirit of partisanship and of preventing them from calmly weighing the conflicting arguments. Many instances of these unfortunate results occur in these reports, but here only a few examples, taken almost by chance, can be quoted. They may perhaps be enough to show how necessary it is to be vigilant whilst reading this volume.

Labour conditions are first dealt with in two articles, Mr. J. W. Sullivan being the opponent, and Prof. J. R. Commons the advocate of municipal trade. Mr. Sullivan's conviction appears to be that municipal trade is antagonistic to the interests of trades unionism, since it would lead the workmen concerned to endeavour to gain their ends by political means only, and, consequently, that it must be opposed all along the line. Cold water is therefore thrown on all evidence in favour of the belief that municipal workmen are better off than private workmen. In Prof. J. R. Commons's article, on the other hand, a good deal of evidence is brought forward to show that municipal workmen are better paid per hour than their fellows in private trade (pp. 103, 107, and 108).

The general case in favour of municipal trade, as, in fact, it is, opens with an introduction by Prof. F. Parsons, followed by an article on "American Conditions" by Dr. E. W. Bemis. Then follows, "on the same side," Dr. Maltbie, with a discussion on gas and electrical works in England, the statistics of these trades as regards cost, price, capital invested, &c., being considered in detail, the figures quoted being nearly always held to tell in favour of municipalisation. No doubt much thought and labour has thus been expended, but many of the arguments raise controversial points requiring more consideration than is given to them. For example, as regards gasworks, he tells us that the English municipalities "have followed a more conservative and sound policy. For every £100 of assets they have only £73 6s. in liabilities, while the companies, for every £100 of assets, have £128 3s. in liabilities" (p. 196). But amongst the liabilities of the municipalities, the sum of over a million sterling of its gasworks' debts which Manchester has redeemed, for example, has not been included. It is true that this debt has been wiped out, but it is equally true that if this sum should be regarded as money raised by taxation and invested on behalf of the citizens in their own municipal gasworks, then it follows that the liability to pay them interest thereon in some form or other is not redeemed. Again, Dr. Maltbie asks "if municipalities should provide a sinking fund, why not companies?" (p. 199), thus implying that the companies have been remiss in this respect. But before asking such a conundrum, it would be as well to attempt to realise the position of a company which had redeemed *all* its liabilities by means of a sinking fund. Who would then be the owner of the works? In the chapter on English electrical works, Dr. Maltbie also lays considerable stress on a comparison between the "appraisal of assets" and the "present liabilities." But if the student searches in the detailed reports—a search in which he is not assisted by a cross-reference—he will find that the appraisal "must not be taken as strictly accurate, but approximately as correct as could be ascertained by superficial examination" (Part II., Vol. II., p. 314). One cannot help wondering what is the probable error of a superficial valuation of electrical assets to the estimated value of about £10,000,000, and whether it is not sufficient to make close-drawn conclusions based on such figures almost valueless. In fact, the treatment of the excessively complex questions which arise in connection with all such discussions is inadequate, and the reader feels bewildered in his attempt to decide on the value to be

attached to the statistical arguments here adduced. British tramways are then discussed by Prof. Parsons in much the same spirit, the case for municipal trade closing with a careful *résumé* of the general arguments in its favour.

The advocates of private trade, Mr. C. L. Edgar and Mr. Walton Clarke, both apparently men of considerable business experience, have, of course, had to build their case on the same too narrow basis, and here also the same partisan spirit prevails. English gasworks are first dealt with, and in this chapter we find, for instance, the population per mile of gas mains cited to show that, "other things being taken as equal," two companies, "in their efforts to secure business extended the opportunity to use gas to a larger proportion of the population of the area supplied than has any of the" three municipal undertakings with which the comparison is being made (p. 324). Other things are so obviously not equal that, even as regards these particular towns, little weight can be attached to such an argument, whilst, as a basis on which to found a general argument against municipal trade, it is even less convincing. Then again, as regard another point, out of the seven works under consideration, London is omitted "because of its widely different conditions" (p. 344), whilst the private works at Sheffield are retained, although the advocates of municipal trade consider that that town is especially favoured by local conditions as regards the point in dispute. American gasworks, electric lighting works, waterworks, finance, and general conclusions are dealt with in separate chapters. Finally, British tramways are discussed by Mr. W. J. Clark alone, the animus of his remarks being perhaps sufficiently indicated by his assertion that the purchase clauses of the Act of 1870 can "hardly be designated other than as legalised confiscation" (p. 450). A good deal of space is devoted to a comparison between the relative development of electric tramways in this country, where this industry has, it is held, been controlled by municipalities or influenced by their desire for municipalisation, and in the United States, where it has been practically exclusively managed by private proprietors. Here the effect of the difference in the local conditions in the two countries is not discussed. But, whatever be the cause, it is startling to find that the urban population per mile of track is 1,516 in the United States, as compared with 12,476 in the United Kingdom (p. 445).

In comparing the cases for and against municipal trade, that of its opponents does appear to be most convincing, in spite of

its defects. But when it is asked whether this is because it is in truth the strongest case, or because it is stated by men more conversant with the trades examined, or merely because the conclusions happen to coincide with those previously formed by the reviewer, we are discussing a question on which that reviewer's opinion is of little value. But he may perhaps point out that the opponents of municipal trade can cite the experts here quoted in favour of the belief that public management is actually accompanied by certain disadvantages which theoretical considerations had led them to expect. For example, the companies are said to push their trade better than the municipal managers (p. 329), to offer greater conveniences to the public as regards complaints (p. 321), and to make better use of labour-saving machinery (p. 342).

Thus far we have only dealt with the smallest of the three volumes. Part II. of the report consists of two large volumes, Vol. I. dealing with works in the United States, and Vol. II. with works in the United Kingdom. Here we have the replies of the experts to specific questions prepared to cover every important fact, without conclusions being drawn from them. Possibly a student gifted with vast patience would do best only to wade through these two thousand pages, and thus to be in a position to draw his own conclusions from the vast array of facts placed before him.

LEONARD DARWIN

Work and Wages. II. Wages and Employment. By SIDNEY J. CHAPMAN, M.A., with an introduction by LORD BRASSEY, G.C.B. (Longmans, Green & Co., 1908.)

It is typical of the modern developments both of industrial complexity and of economic theory that the modest and simple statements of fact depicted in Lord Brassey's *Work and Wages* and *Foreign Work and English Wages* should have necessitated three bulky volumes when the subjects contained therein came up for revision. The first of these, *Foreign Competition*, was noticed in the ECONOMIC JOURNAL, December, 1904; the second lies before us, and ostensibly deals with *Wages and Employment*. The title is somewhat of a misnomer, for it is only the outworks of the theory of wages that are attacked, and no history of wages is attempted here; the subject-matters of the book are the policy and results of Trade Unionism, the methods of arranging or preventing trade disputes, unemployment, and work-

men's insurance. On each of these questions we find an adequate historical sketch, relating to each of the principal industrial nations and to Australasia, backed by carefully selected and well-considered statistics. The effects on wages of the development of trade unions, of insurance, of conciliation and arbitration, and the relation of unemployment to industrial growth, are discussed theoretically. The whole volume is a rather curious blend of theory and fact.

The reviewer is bound to ask, for what class of readers is this series intended? If for the plain man, who could read and appreciate the earlier volumes, the theoretical introduction is at once too slight and too subtle, and he will not readily grasp the significance of such a sentence as, "What is best for the workpeople involved depends upon the elasticity of the short-period demand curve, which we suppose to oscillate parallel to itself, the amount of its oscillation, and the character of the variation of disutility with the hours of labour per day or per week" (p. 223). If, on the other hand, the well-read theorist is in question, the doctrine laid down will be found in some cases unproven and controversial, and the analysis insufficient. It is to be feared that the treatment may fall between two stools. Thus the theory on p. 8 that if the wages of the lowest class of labour are advanced, the number in this class will diminish, appears paradoxical, and is not proved; we are not willing to make the assumption that a slight rise in wages will enable the worst-paid labourers to improve their economic status, and compete with a higher class. On p. 12 we find that the doctrine that employer's remuneration has a definite relation to the value of his marginal product has survived the criticism in the *ECONOMIC JOURNAL* of December, 1907.

It is more with the method of expressing theoretical considerations than with their results that we are inclined to quarrel. That trade unions may increase advantages of employment (as opposed to money wages) without attracting too many into their trade (p. 26), that regard to education of the young produces results of a more lasting character, and of the same kind as pensions to the old (Ch. VI.), that labour colonies are likely to fail because the less effective workmen fall out of work, while to coax a living from the land requires special efficiency (p. 383)—these and many similar statements will commend themselves at once to the practical man and the theorist. In the analysis of the effect of the introduction of machinery on wages, where the general conclusion is that nearly everyone is benefited, the question which is most important to the man of specialised skill who is in danger of being

displaced—namely, whether it is not in his private interest and that of his fellows to oppose the introduction by all the means in his power—is not faced. It may be that he will lose less than other people gain, but can it be shown in general that he will lose nothing? Professor Münsterberg's paradoxical view that the more subdivided the work the less monotonous it is, is quoted with apparent approval.

The main value of the book lies in the unbiassed and judicial summaries of the cases for and against the many schemes which are in being for the amelioration and regularisation of the real earnings of workmen. Though many readers will be familiar with a great number of the authorities quoted, and with many of the lines of argument and their justification, yet few will be sufficiently acquainted with all. Here they will find summarised the historical developments of a great variety of social and industrial movements; their spread over the industrial world, and their statistical importance at the present or recent dates (recent, because change is so rapid that some parts of the book are already out of date), and they will also find thoroughly considered judgments as to the potential economic and social value of the forces disturbing the free play of competitive egotism, which have come into action during the present generation.

A. L. BOWLEY

English Socialism of To-day. By the RIGHT HONOURABLE H. O. ARNOLD-FORSTER, M.P. Pp. xix + 226. (London : Smith, Elder & Co., 1908.)

THIS book first appeared in the form of articles contributed to the *Standard*. It bears the mark of its journalistic origin : the twenty chapters are loosely arranged, wordy, and full of repetition.

The author finds three types of socialism in vogue : the "socialism of the philosophers," the "socialism of to-day," and the "socialism of everyday life." He concentrates attention on the second of these, the objects of which "an ample and authoritative literature" has made "clear to all." This "ample and authoritative literature" turns out to be a few tracts issued by the Social Democratic Federation and the Twentieth Century Press, and sold by the Independent Labour Party. One can only compare the author's method to that of a naïve research student who should buy a few copies of the *War Cry* and proceed to write a book on the *English Christianity of To-day*. The authoritative

literature, it appears, calls loudly upon the British public to abolish the Monarchy and the Army, to abandon India, to repudiate the national debt, to rob the rich by Act of Parliament, and generally to carry on the Class War. After showing that the British public does not desire these things, the author demonstrates the futility of the "English Socialism of to-day" by an account of the Anabaptists, the French Revolution, and the Paris Commune. Calling his book *The English Socialism of To-day*, pretending to use "the official programmes and the official publications of the principal Socialist bodies in this country," the author practically confines his criticism of Socialism to the literature of a party which, on his own admission, is not English—a party which was recently described by Mr. Wells as standing for an "extreme, old-fashioned, and implacable type of Socialist theory, limited, doctrinaire, and cantankerous."

But it does not suit the author's purpose to deny the serious evils which Socialists are engaged in combating. He admits them fully. Remedial measures of the Fabian type are not Socialism, or they are the "Socialism of everyday life." Each remedy is to be judged on its merits, but there must, apparently, be no reference to a general regulative principle. Lastly, after advising those who still believe in the efficiency of the State to take "a course of attendance in the Gallery" of the House of Commons, so that they may be disillusioned, the inevitable conclusion is reached that in Imperialism, Emigration, and Tariff Reform lies the hope of the workers. "By far the most certain and effective method of securing adequate and constant wages for the able-bodied and willing workers is to introduce a reasonable scheme of tariff reform. . . . The system of free imports is doomed by its inherent injustice and absurdity."

THOMAS JONES

American Business Enterprise. A Study in Industrial Organisation. A Report to the Electors of the Gartside Scholarships on the Results of a Tour in the United States in 1906-7. By DOUGLAS KNOOP, B.A. (Gartside Scholar). Pp. xiv+112. (Manchester: The University Press, 1907.)

Few subjects at the present day are likely to excite keener interest than that of Mr. Knoop's work, and it may be said at once that the author has not failed to develop its possibilities. The book is calculated to give a clear and accurate description "essentially intended for the general reader," and the author has

quite rightly eliminated everything of a technical character, giving his theme both the simplicity and the interest that are required. The main lines of division are, on the whole, well chosen and clearly marked, and the examples taken for the sake of comparison or contrast from English industry are such as to bring his points forcibly before his readers. From the purely economic point of view, the book, whether intentionally or not, is in part an illustration and in part a development of the range and benefits of large production as worked out in Professor Marshall's *Principles of Economics*. But it has of necessity some very obvious disadvantages. As the author himself says, "the whole is but a sketch at best," and rather lacks that detailed analytical treatment of industrial conditions that is perhaps a distinguishing feature of modern economic investigation. This was perhaps inevitable in view of the great range of the author's subject, and the absence of any preliminary general treatment made it necessary, inclination apart, to give a general survey of the whole rather than a more particular investigation of any one part of it. Limits of space have, moreover, made the description unnecessarily brief, and the work might well have been doubled in length without any loss of interest. When all is said, however, *American Business Methods* is not only invaluable as a text-book, but will provide the necessary basis—hitherto lacking—for anyone who may wish to examine more closely any part of the structure of which Mr. Knoop has showed us the outline.

The work is divided into two parts, in addition to a short introduction and summary. The first consisting of a single chapter with the title of "Business Enterprise" covers a rather wide field. It traces the industrial prosperity of America to the greater esteem in which a business career is there held together with the greater equality of opportunity that democracy gives, and shows how university education has been adapted towards giving a training suitable for this and the attitude adopted by business houses towards University graduates. It also contains a slight sketch of some special forms of enterprise, and describes more fully the growth and present position of production by corporations.

Chief interest, however, attaches to the rest of the work. Following Professor Marshall the author predicates a limit to the efficiency of large scale production, and then proceeds to show the various outlets for the employ of further capital when this limit is reached. An interesting illustration is that in which he proves that, under certain conditions, the manufacturer will

sacrifice the advantage accruing from the ability to buy the various things needful for his work in favour of a process of integration that carries through the whole production from beginning to end, with the additional working up of the by-products. Furthermore, certain conditions of the American market—the attempt to obtain a monopoly on the one hand, or dissatisfaction with, and an attempt to get rid of, the middleman on the other—may cause the manufacturer to enter fields not generally considered to be suited for his operations. For instance, the establishment of retail stores by companies engaged in production is a growing tendency and one due to several causes, among these being pressure on the part of the consumer. The results of this, in the direction of the control of retail prices by manufacture, are treated in a very interesting chapter (No. VI.), and the steady development of the direct selling of their goods by manufacturers is well worth the space devoted to it. At the same time, Mr. Knoop has been careful to avoid any danger of misconception by describing briefly the extent to which this has been carried in the chief industries. In conclusion, all the points raised are treated clearly and concisely, and an eminently useful index makes the book valuable for such references as the general English reader is likely to require.

N. B. DEARLE

The Growth of Large Fortunes. A Study of Economic Causes affecting the Acquisition and Distribution of Property. By G. P. WATKINS, Ph.D. Published for the American Economic Association by the Macmillan Co., New York, November, 1907. Pp. iv+170.

LIKE many of the publications of American economists, this book shows the admixture of juristic with purely economic ideas, which seems to be a common, if not the inevitable, accompaniment of American research. It is one that has too often produced a confusion of ideas which detracts considerably from their value, producing at the best some loss of clearness and consistency. On the other hand, in cases like the present, where the author rises superior to the innate difficulties of his situation, there are many compensating advantages in the close connection shown to exist between the two sets of ideas, and in the proof that it is possible to reduce juristic concepts to an economic basis. Again, the juristic standpoint brings to light those phases of economics that a more purely specialised treatment is apt to omit. The work before us studies the economic causes affecting the acquisi-

tion of property and its distribution; and large fortunes are property, and all property is based on law. "Riches are a private right, and cannot be conceived without reference to an owner and legal relations." The book is not without faults. The author is at times inclined to grow fantastic, and a superficial survey inclined one to condemn the book as unreal and incoherent. This idea a fuller study has altogether dispelled. At the same time, the author has not always distinguished economic from juristic ideas, even as clearly as the circumstances permitted, and has sometimes spoilt a perfectly valid economic classification in attempting to improve upon it. But how essentially juristic are the ideas underlying so many economic postulates, and how close is often the connection between law and economics, are very well brought out, whilst the straiter sect of economists may well be reminded that even for the solution of essentially economic problems it is often necessary to borrow from the juristic field. The very treatment of the economic causes, affecting the juristic conception of property in large fortunes, shows clearly how often the basic ideas of political economy are at bottom purely legal ones. With all this, the impersonal character of many of the causes at work is not forgotten. "Inequalities of faculties may become more effective. But if this is so, it must be because of changes in external conditions. These external causes are doubtless economic."

In the first place, the idea of acquisition as apart from production is foreign to the mind of the economist pure and simple. Occupied solely with wealth or goods, which, "as such, need belong to no one," being "objectively and impersonally conceived," he forgets the idea of riches which "quantitatively" suggests "conspicuous magnitude and the receipt of income not due to labour." He therefore thinks only of production, distribution, and exchange of the former, and the author's description of the large part that "acquisition" plays in the building up of large fortunes serves as a reminder that much of the wealth of the individual cannot be in any way connected with production on his part, so that the purely economic definition fails to give account of the phenomenon. "Acquisition is reciprocal to production, the contrasted other end of the economic process. It is primarily the obtaining of economic control of existing values. . . . It is the culmination of the process. A good is produced once, but acquired many times." It gives, therefore, a distinct place for inheritance, which neither production nor even distribution, with the idea underlying it, as it does, of some return for a share in production, can altogether supply.

Similarly, the distinction made between two kinds of capitalistic income, one involving active participation—as an *entrepreneur*—in production, and the other not, may move the scorn of the economic pharisee, but it has a clear element of truth. The right to interest, pure and simple, is an “abstract right to the usufruct of goods” obtained by acquisition, and the idea was worth emphasising. To use this distinction as a purely economic one, however, is to replace a clearly defined economic distinction by one which, however useful, as showing how much lies beyond the narrow confines of economics, is nevertheless lacking in clearness and in many respects a cross division. Economically, abstract property right is interest, the other thing interest *plus* wages of management and rent of ability—that is, interest *plus* profits, or, as J. S. Mill understood it, profits alone.

The second chapter deals with the actually existing tendencies to the growth of large properties, and the author distinguishes between “mere value increase (value incremental), not at all purposed or produced by man,” and “goods fractional income,” which is the result of the productive processes; and, passing from this, he shows the importance attaching to the “business man” which makes him the probable holder of the large fortune. So far as America is concerned, he finds, as the result of his survey, that, except in agriculture, from which accrues a smaller and smaller proportion of the national production, large scale production and corporate organisation are becoming increasingly predominant, resulting in a “shift from more democratic to less democratic or less necessarily democratic forms of property.” But he finds compensation for the small saver and small-propertyed middle-class in the openings provided by the growth of corporate production. The short third chapter states the causes at work that led to America taking the lead in the growth of these modern tendencies. The work is accompanied by copious footnotes—many of which cover several pages—and a bibliography. It seems a pity that the publishers are not able to put the section or even the chapter at the head of each right-hand page, instead of, as they do, putting the title of the work only.

N. B. DEARLE

The Trade and Administration of the Chinese Empire. By HOSEA BALLOU MORSE, Commissioner of Customs and Statistical Secretary, China. (London: Longmans.) Price 7s. 6d.

THIS first-class work is the outcome of thirty-three years of successful service in the Imperial Maritime Customs, in the

Statistical Department of which Mr. Morse has long made his local mark; in addition to which he has from time to time contributed valuable papers to the Shanghai Branch of the Royal Asiatic Society, thus constituting himself quite an authority upon Chinese banking and currency questions. So far from being a mere academical study, this exceedingly cheap book of 450 pages is thoroughly practical, and breathes personal experience and seasoned knowledge in almost every line;—"almost," because one chapter, that on the ancient and general history of China, has been judiciously left to the capable pen of the Rev. F. L. Hawks Pott, whose *Sketch of Chinese History*, published about two years ago, eminently qualifies him to deal with this subject.

British merchants, bankers, and manufacturers, however busy they may be, will find it very much to their immediate interest to study carefully the chapters on revenue and expenditure, and on the currency. Mr. George Jamieson (formerly Consul-General, and, off and on, Acting Chief Justice at Shanghai) and Dr. J. Ferguson (Adviser to the Nanking Viceroy, and Secretary to the local Asiatic Society) have both of them done valuable work in connection with revenue and currency questions respectively. Mr. Morse, whilst handsomely recognising his indebtedness to these (and to others who need not be enumerated), now brings their results up to date, and develops them by the light of recent events: bankers and investors will be particularly interested in the appendix showing the total foreign debt secured on customs revenues up to the close of 1906. All this financial puzzle is made still more clear by a short supplementary chapter on weights and measures. The author says frankly in his preface: "I have written for the reader of to-day. I can add little to the knowledge of the sinologue." This is as it should be, for, apart from the fact that we are already overwhelmed by unreadable books dealing with historical and philosophical matter of great obscurity, there would be no space in a commercial work of this kind to deal with such matter, even if hard-headed mercantile men could be persuaded to read it. The chapter on foreign trade, and the wonderful diagram showing its course during the forty years 1864-1904, are really remarkable productions. The following chapter on internal trade is perhaps the first serious attempt to handle that intricate subject, as a whole, systematically, and it ought specially to interest syndicates, speculators, and concession-hunters on the look-out for new openings.

But nowadays the formidable cry of "China for the Chinese" has both gone up and been caught up like wild-fire, and in

future it will not be so easy to get foreign fingers into the Chinese pie—witness, for instance, the compromises we have ourselves had to make regarding the Peking Syndicate concessions in Shan Si, and the Shanghai-Hangchow Railway concession in Chêh Kiang province.

Mr. Morse's description of the Inspectorate of Customs and its methods of work strikes an entirely new note : the interesting story is told with the precision and incisiveness that might be expected from one who has, so to speak, worked his way up from able-bodied seaman to the commander's bridge. It is pleasant to read such handsome public recognition of Sir Robert Hart's life-work : there has recently been too much tendency in the Press of China to grumble at and administer a parting kick to the old lion now retiring for rest in his native lair after an unprecedented period of fifty years' faithful service. The chapter on the Government is brought up to the last possible moment, and includes all the recent changes which have been made in the administrative system : it is doubtful if so matter-of-fact and lucid a statement of the way in which China is governed has ever before been made in so short a space : there is just enough of it to give to those who know almost nothing about it—the vast majority—a sound, general idea of main principles without wearying them with unnecessary detail. And, by the way, there is a point in *technique* to be noticed ; throughout the whole book the mark of the aspirate in Chinese words is never once used : it must be explained that all Chinese words beginning with consonants have what we call in Europe aspirated and unaspirated forms, e.g., *ting* and *t'ing*, the difference between which in speech is fundamental. It is characteristic of Mr. Morse's broad view of what the general public wants that he absolutely ignores all this detail, which, after all, is of no more importance to the work-a-day world than the equally fundamental (and irritating) difference between *kyo* and *kyō* in Japanese words, or *n* and *ṇ* in Indian words.

Mr. Morse's exceptional position as a searching and discriminating investigator into the almost hopeless mysteries and convolutions of Chinese currency has already been mentioned ; this masterly chapter, with its excellent illustrations, is a reprint from the local Asiatic Society's journal, and may be taken as the last available word, including most of the results obtained in a similar field by Ferguson, Jernigan, and Father Hoang. Extra-territoriality with its many abuses is handled in a very fair and judicial vein. Opium and, above all, morphia, which last has

already within a decade created alarming ravages, are shown up in their truest light, taking account, of course, of all the recent reform legislation. Internal trade is not a subject which has been systematically treated before in books, though, of course, Mr. Morse himself, amongst other Customs Commissioners, has frequently studied the question in his official reports to the "I. G." Finally, the provinces and treaty-ports, together with their respective capacities and resources, are brought together in tabulated form, and the speculative British merchant is able to see at a glance where his account lies, should he be looking round for a new *gîte*. In a word, Mr. Morse's remarkable book is the most readable and informing of its class. Chinese in itself is not a popular study, whether it be in language, history, or philosophy; the modern commercial Gallio will therefore find exactly what he wants, without having to care for any of these things.

Q.

L'Individualisme Économique et Social. By Albert Schatz.
Pp. 590. (Paris : Armand Colin, 1907.) Price 5 fr.

THE influence of the historical conception on economic theory, as, indeed, on almost every other branch of knowledge, is now so generally recognised as to have become a commonplace of current thought. To appreciate adequately the import of any economic doctrine, it must be studied in its historical development, and the theories of writers of the past must be interpreted in the light of the whole economic environment, including the philosophical thought of the time. This is a truth that finds, as we shall presently see, ample recognition in the work before us.

By this learned and exhaustive study of the origin, evolution, and contemporary forms of individualism, Professor Schatz has earned the gratitude of all serious students of the history of economic theory. The work, we are told in the preface, is a *résumé* of a course on the history of economic doctrine, delivered before candidates for the doctorate in political and economic science in the University of Dijon. While in this JOURNAL we are concerned with it mainly from the economic standpoint, it is certain that M. Schatz's comprehensive treatment of the subject will appeal strongly to students of the history of political science, as well as to those more especially interested in the history of economic doctrine. The book reveals throughout the

intimate connection of the political and economic theories of different ages with the contemporary facts of political and social life, on the one hand, and with the tendency of general philosophical thought on the other. The chapters on the "Psychological Basis of Individualism," on "Sociological Individualism," and on "Anti-State and Anarchist Individualism," will suffice to exemplify M. Schatz's recognition of the influence of philosophy, while, as illustrating the influence of economic facts, we may take his statement of the conditions under which Malthus and Ricardo wrote (pp. 161, 193), or, again, of those which gave rise to the doctrine of economic harmony as formulated by Bastiat, and to Carey's modification of the Ricardian theory of rent (pp. 259-62).

Prof. Schatz's work, it should be explained, falls into two parts, of which the first deals with "the formulation of the classical liberal doctrine," while the second and much the larger part discusses in greater detail "the different aspects of individualism in the nineteenth century." Individualism, as it appears in Greek philosophy, does not fall within the scope of the work. Our author confines his attention to the modern type, and this at the outset he is careful to distinguish from egoism. "In the reality of things, isolated individuals—Robinson on his island, Simeon the Stylite on his column, and Alcestis fleeing to the desert on the approach of men—are the exceptions who are of no other interest to the economist than that they furnish him with more or less probable hypotheses" (p. 559). Living man is a social being, and individualism is concerned with him in his social relations.

Of individualism in this sense, the origin is found in the mercantile system, and the anti-interventionist and liberal reaction to which it gives rise. "Spirit of independence and emancipation, it requires, before becoming a doctrine, to struggle against the spirit of subordination which is the soul of mercantilism, and that struggle in which it has against it all the historical past of the nation and the hereditary formation of individual temperaments can only be successfully undertaken when the excessive intervention of the State has produced grievous results" (p. 14). Again, "Industry is stifled under the strict rules which are imposed on it, and which become more and more incompatible with the growing complexity of economic life" (p. 30).

But at the basis of all economic doctrine there is a psychological theory, and this our author finds in Hobbes, who estab-

lishes personal interest as the essential motive of our action. By the school of the moral sense, personal interests are shown to be not divergent, as with Hobbes, but convergent and harmonious, while Mandeville shows that the harmony of interests is not voluntary, but involuntary and objective, resulting from the natural interweaving of our actions in a society where division of labour reigns (pp. 40-44).

There follows an exposition of the classical liberal doctrine of the eighteenth century, as embodied in the doctrines of the Physiocrats in France, and of Hume and Adam Smith in England; and the first part of the work is completed by a discussion of the constitution of scientific liberalism as set forth in the theories of value, population, and rent. This plan involves the covering of much already familiar ground, and thus affords only limited opportunity for adding to what is now current economic knowledge. But, in summarising the views of the different authors, whose work he has selected as typical, M. Schatz shows marked expository power and skill in interpretation. In illustration of this, we may point to his account of the Ricardian theory of rent (pp. 176-81), or his comparison of the protectionism of Malthus with that of List (p. 184), or, again, his remarks on Mills' theory of international value (pp. 223-4). A striking example of M. Schatz's method is his treatment of the philosophy of Hume and Adam Smith, which he holds to be related to that of the Physiocrats in its theism and optimism, while it differs from the latter in being empirical and realistic. Of Adam Smith's reference to the "invisible hand," our author says: "*Sans doute, il y a plutôt là, chez Smith, une métaphore suggestive que l'affirmation d'une foi irraisonnée, mais l'idée théiste est dans son esprit*" (p. 116). Specially worthy of notice is the critical examination of that much-discussed doctrine of Adam Smith on the measurement of value—a doctrine based, as M. Schatz observes, on the old idea of Helvetius, the original identity of men (pp. 129, 495).

The classical liberal doctrine flourished in a society where production was regarded as the main consideration and problems of distribution were as yet treated as of secondary importance. In his second part, devoted to the different aspects of individualism in the nineteenth century, M. Schatz begins by distinguishing between Liberalism, the form which the old classical liberal doctrine now takes in France—"a social system which exalts liberty, and, by reason of the good effects which are believed to follow it, sees in liberty an end in itself, an ideal that should be

realised by all means"—and Individualism, the form which it takes in England—a social system which exalts the individual, and which, though it is, like Liberalism, founded on liberty, yet claims that, not as an end in itself, but merely as a means for the realisation of a higher end, the development of individual character. "*Avec Stuart Mill, nous verrons la doctrine classique évoluer vers cette conception plus large et plus souple, plus susceptible de se plier aux nécessités économiques nouvelles*" (p. 198).

But surely as much might be said of the "simple and obvious system of natural liberty" itself, in his treatment of which M. Schatz, it appears to us, does something less than justice to Adam Smith's position. After mentioning a number of the exceptions allowed by the latter to the rule of non-interference, M. Schatz says: "*Il y a donc une certaine dose d'opportunisme dans les préceptes que conduit à formuler le système de liberté naturelle.*" (p. 145). Adam Smith's system of natural liberty is really a much more comprehensive system than the system of *laissez-faire*, and the difference is not to be accounted for by "*opportunisme*," however generous the interpretation of the term.

But to resume. In his second part, M. Schatz deals in successive chapters with the complementary developments of the classical doctrine by Dunoyer with his seven economic stages in evolution (p. 202), and by J. S. Mill—"le véritable représentant de l'individualisme économique" (p. 217); the constitution of orthodox liberalism by Bastiat and his disciples; the conjunction of economic and political liberalism; the individualistic interpretation of history by de Toqueville and Taine; liberalism and Christianity; the sociological individualism of Herbert Spencer; anti-State and anarchist individualism; and, finally, aristocratic individualism in its economic and philosophical aspects. The book closes with an admirable summary, in the course of which the points of contrast between socialism and individualism are emphasised. The mere enumeration of the topics discussed will afford some idea of the comprehensive nature of M. Schatz's work.

To compress within moderate limits a summary of the opinions of so many different writers is obviously a work of immense difficulty, but M. Schatz, it seems to us, has achieved a large measure of success. He shows clearly the connection of the different stages in the development of thought, and in dealing with the most important writers he is careful to let us know sufficient of the man, his life, and his work to enable us to appreciate his place in the development of individualism. The chapter on J. S.

Mill, one of the best in the book, may be taken as a case in point. M. Schatz's critical commentary, which is never allowed to obscure the meaning of the writer whose views he is expounding, is always instructive. Take, for example, his treatment of the different types of anarchism. In this connection his critical examination of Proudhon's attempt to carry into the economic sphere the logic of Hegel (p. 493) may with advantage be compared with Dr. Bonar's treatment of the same subject (*Philosophy and Political Economy*, p. 391).

While M. Schatz shows a remarkably extensive acquaintance with English economic literature, he has strangely neglected some of the more recent writers. Neither J. S. Mill himself, nor Cairnes (who is mentioned in a footnote), has said the last word on economic methods, and no writer dealing with the economic functions of the State can well afford to ignore the work of Sidgwick. At the same time, there is no book with which we are acquainted that covers quite the same ground, though in some respects it suggests, as in the case already mentioned, comparison with Dr. Bonar's well-known work. It is a book of which one can safely predict that it will take a high place in the literature of the subject.

ARCH. B. CLARK

Zur Lehre von den Bedürfnissen. By Dr. FRANZ ÜHEL.
(Innsbruck, 1907.)

IT is now well recognised that there is a borderland which belongs to economics and psychology, or, rather, that there is a good deal of psychology which economists ought to know and in which professional psychologists take little interest. How often do we not find that an economist deals with the psychology of demand when he is by no means a good psychologist? Many economic laws are psychological, yet how few economists have studied psychology?

This book is a painstaking study of the psychology of needs, combined with a criticism of the views of economists; the present reviewer is not well enough equipped as a psychologist to be able to offer any useful criticism, which should be made in those journals which are read by psychologists, but ventures to call the attention of economists to the fact that they ought to read this book.

C. P. SANGER

Ertrag und Einkommen auf der Grundlage einer rein subjectiven Wertlehre. By PROFESSOR DR. ROBERT LIEFMANN. (Jena : Gustav Fisher, 1907.)

PROFESSOR LIEFMANN'S pamphlet deserves the careful consideration of economists. The main point of his position can be stated shortly, although it is not easy to see how far-reaching the logical results of it may be. Is it true that "All production, which is not technically unsuccessful, gives rise to a profit (Ertrag)?" "No," says Professor Liefmann. Land, labour, and capital produce products; whether such products are industrial goods (wirtschaftliche Güter), or, in other words, whether there is a profit, depends upon the subjective valuation of them by mankind. Demand, which is psychological and subjective, gives value. Products, not values, are made by the technical processes of production. Similarly, costs are not products, or means of production, or work, but are the value of means of production or worth. It is not true that the value of finished products is derived from the value of the raw material and means of production; it is the value of the finished product that gives the value to the means of production. Such, in brief, is the contention.

It is the case that before 1870 economists had strangely neglected the demand side of the problem, and, consequently, had an erroneous theory of value; later economists have doubtless made use of expressions which are not accurate—expressions which confuse the thing and the value of the thing, and which appear to assume that value may exist without demand. How far such inaccuracies of expression have really represented confusion of thought and have led to definite errors in their results can only be determined by a careful criticism of each economist's writings. Such a criticism cannot be undertaken here. *Ertrag und Einkommen* is so short (only seventy-two pages) that anyone can easily find time to read it; it was most wise of the author to publish his views in this way and other than in a ponderous treatise. His arguments are clearly stated; the national economists should meet them or confess their errors.

C. P. SANGER

Die Exportpolitik der Kartelle. By DR. WILLI MORGENROTH, Chief Librarian of the Cologne Commercial College (Handels-Hochschule). Pp. 119. (Leipzig : Duncker und Humblot, 1907.)

DR. W. MORGENROTH'S short monograph is a valuable contribution to the rapidly-increasing literature which has been called

into existence by the syndicate movement in Germany. That literature is by no means furnished by one side, for while the cartells and syndicates have many severe and even furious critics, they have also many stalwart defenders, and it is a notable fact that at least one of these occupies a prominent place in the party of theoretical Socialism, viz., Herr Richard Calwer, who, in a study of recent date, stated the case for the syndicates as persuasively as it could well be done. Dr. Morgenroth does not write as an opponent of syndicates on principle; on the contrary, he is willing to acknowledge that, if properly constituted and administered, they may represent a decided advance in the efficient organisation of industry. He contends, however, that the syndicates, if they would justify their existence and commend themselves to the general body of consumers, must operate in the interest of the body economic as a whole, and abandon their present sectional standpoint.

Dr. Morgenroth discusses the much controverted question of the relationship between the syndicates and protective legislation, and comes to the conclusion—which is accepted pretty generally in Germany—that while protective duties need not be absolutely indispensable to the formation of syndicates, they immensely increase the efficiency of the latter as institutions for the restriction of competition. The reciprocal relationship between syndicate and import duty is, however, a fact which hardly needs special enforcement in the case of Germany, for the negotiations which took place in connection with the new customs tariff showed the syndicated mineral and iron industries to be very much alive to the advantage of a secure home market. Nevertheless, Dr. Morgenroth rejects Kleinwächter's description of the syndicates as the "children of need," and points to the fact that some of the most successful syndicates have been formed by a union of specially powerful undertakings.

"The smaller the number of the undertakings," he says, "the easier it is to syndicate them." Obviously, however, the more necessary as well, from the standpoint of the competing concerns, since their very fewness and strength accentuate the rivalry between them, and point to combination as the true line of safety.

It is Dr. Morgenroth's special purpose to examine the export policy of the larger syndicates, and to estimate their influence upon foreign trade generally. In the course of this part of his investigation, he lays down four theses, which may be thus summarised: (1) Owing to the high prices which a syndicate is able

to obtain at home, it is able to sell abroad either at small profit or, if it seems judicious, at an absolute loss, and yet, on the whole, secure good average prices and satisfactory profits. (2) Owing to technical improvements in the processes of production and to economies in other directions, it is possible for a syndicate to sell abroad more cheaply than independent undertakings in the same industry. Exports are further stimulated by the payment of export premiums to the affiliated concerns, which are to that extent able to sell more cheaply in foreign markets. (3) If a syndicate produces raw material or half-manufactured goods used in other industries, an export policy following the above lines incapacitates these industries from competing in foreign markets. (4) Worse still, the effect of the "dumping" of such raw material and half-manufactured goods by powerful syndicates is that foreign competition in finished goods is encouraged in the home markets. Dr. Morgenroth advances a multitude of facts and figures in proof of these propositions, many taken from the proceedings before the Government Cartell Commission, but others collected by independent inquiry. He especially establishes beyond doubt his contention that some of the cartells in the iron and steel industry have inflicted great injury upon home manufactures, owing to their policy of selling dearly at home and cheaply abroad.

"Some industries," he writes (pp. 46, 47), "have actually been created abroad owing to this policy of the cartells. The Rhine shipbuilding industry has from this cause been in part transferred from Germany to Holland, where the yards, being situated in a customs-free market—in which Germany, Belgium, and England underbid each other—are able to buy their plates and sheets much more cheaply than the German cartell sells them to the German yards. In the same way the iron construction works in Holland have become wonderfully efficient, chiefly owing to cheap German steel. In Belgium the wire tack industry is said to have been built up on cheap German material." Dealing with the common contention of the syndicates that this "dumping" is good for the home market, inasmuch as it clears off superfluous stocks, and counteracts over-production, Dr. Morgenroth contends that if over-production can only be prevented by this means, one of the principal merits claimed for the cartells proves illusory, and he holds that if the low prices charged abroad were offered at home instead, a great stimulus would be given to the manufacturing industry, and new outlets would be created both for capital and labour.

He comes, therefore, to the conclusion that the cartells have not promoted export trade on healthy lines, and that the exports which they have encouraged have in the main been merely "crisis exports," the effect of which has reacted unfavourably upon home industry just at a time when it has been least able to hold its own against foreign competition. "It is not too much to say that, without the syndicates, their dividing-out of production, their restriction of competition, and their price policy, the exports of the industries affected would have increased much more rapidly, for without them production would have increased to a greater extent, and this would have led to larger exports. The syndicates cannot therefore be regarded as a means of promoting a strong export trade." It is only fair to suggest that if Dr. Morgenroth is right in his assumption, there is no certainty that the "dumping," which is wrong in the syndicates, would not have been resorted to by the individual undertakings. In passing, it may be noted that Dr. Morgenroth is of opinion that the syndicates in the mineral and iron industries have to some extent cut the ground from under themselves, owing to their encouragement of the powerful "mixed" works, which are (he holds) in a position to dispense with the aid of syndicates and even of protective duties. He touches here a question of deep interest, viz., the domination of the "mixed" works in Rhineland and Westphalia, and their present influence upon the "pure" works. A study of this development and of its relation to the wider question of the syndicate movement would be of extreme value, and Dr. Morgenroth would render a further service to industrial economics if he directed his investigations in this channel.

WILLIAM HARBUTT DAWSON

Maternità e Lavoro. By BERTA NOVICH. Pp. 340. (Milano : Remo Sandron, 1907.)

IN this book the author makes an impassioned appeal for compulsory payment of wage-earning mothers by the State during the time of enforced absence from work. She traces at length the entry of women into the industrial field, showing that their earnings are necessary to the support of the family. The father, unaided, can no longer provide for the maintenance of his household, and to supplement his inadequate earnings the mother must frequently take upon herself a double burden. Maternity, moreover, lowers her economic value, and she is paid on a lower scale than a man for equal work. To add to her difficulties, her earn-

ings, indispensable during normal periods of good health, cease altogether during her month of enforced absence from work, and at a time when deprivation is necessarily more acutely felt. Mother and child are insufficiently nourished, and ill-health and sickly constitutions are the natural result. Thus we rear a puny race of workers. From the point of view of the State, as much as from that of the individual, it is of the first importance to recognise the urgent claim of wage-earning mothers to compensation for enforced absence from work.

For what has been attempted in Italy in the matter the author has but little that is good to say, and she altogether ignores the fact that Italy is the first country which has proposed legislation on the subject. The Factory Act of 1902, which was the first law to restrict in any way the labour of women in Italy, laid down that women may not return to work under one month after the birth of a child. In order to compensate workers during this time, it was suggested that a national fund should be founded for the purpose. The Labour Department undertook an investigation after the Act of 1902 was passed, in order to ascertain to what extent the fund was needed, and the number who would benefit by it. In 1904 the results of the inquiry were published, and stress was laid on the abnormally high death-rate among infants of wage-earning mothers, and the low birth-rate in that class. In 1905 a Bill was introduced by the Minister of Agriculture, Industry, and Commerce, which was intended to supplement the Act of 1902, and applied, therefore, only to women who come under that law. It provides for a fund to be raised by (1) an annual compulsory payment for every woman worker from 15 to 50, to be paid half by the employer and half by the worker; (2) fines from employers who have broken the Factory Act; and (3) legacies and donations. The worker's contribution will be drawn from her earnings by her employer. The estimated amount of the fund required is based on a careful calculation of the general earnings of women from 15 to 54, and on the birth-rate among women operatives. From this fund would be given to every worker at child-birth a daily grant during the period she is compelled to be absent from work—the grant ranging from 10d. to 2s. 6½d. per day, in proportion to the amount of her earnings. After the first introduction of the Bill, a Parliamentary Commission was formed to inquire further into the matter, and it was again brought forward in December of last year. The Bill has not yet, however, been made law. Voluntary funds have been raised to meet the need of maternity

insurance at Turin, Rome, and Milan, but a strong feeling exists in favour of a national undertaking.

The author is opposed to the voluntary associations, urging that they are totally inadequate, that they merely add one more burden to the shoulders of the woman worker, and that they remove the responsibility from the State. Nor does she approve wholly of the proposed Bill, partly on the ground of its insufficiency, partly because the amount of the fund is estimated on a wrong basis. The present birth-rate among wage-earning women, which is far lower than the birth-rate for all classes, would rise as soon as insurance was granted. Moreover, a greater number of mothers would seek work in the factory.

In a final chapter of suggestions, the author throws out proposals of a somewhat impracticable nature with regard to length of absence from work, reduction of hours worked per day, and medical supervision. Her aim, apparently, is not the indirect one of preventing the employment of married women in factories, although this would be the inevitable outcome of the adoption of her proposals.

MARGRIETA BEER

ΠΕΡΙ ΑΠΟΓΡΑΦΗΣ. Α Μ ΑΝΔΡΕΑΔΟΥ. Athens: ΕΛΕΥΘΕΡΟΤΕΛΕΣ, 1908. Pp. 47.

THIS is a lecture on the Census, given by Professor Andreades, of the University of Athens. The Greek, which is his native tongue, imparts, by its classical associations, a certain piquancy to his valuable remarks on modern statisticians and statistics. The denizen of Western Europe will not immediately recognise, under the veil of a learned language, τὸν Βλῶκ or τὸν Βερνγιδν. He will wonder what modern journal is mentioned by the designation τοῦ Τάϊμς. Not all the persons mentioned in connection with a census appear as much at home in Greek surroundings as Cæcrops, King of Attica, to whom an old historian ascribes the first enumeration of the Athenian people. From an historical retrospect we pass on to the uses of the census, one of which is peculiar to modern times, to secure the distribution of voting power in proportion to population. The questions asked in the Greek census suggest some interesting remarks. The first demand, *Name*, does not render the second, *Sex*, superfluous. For in Greece there are many female names, Alexandra, Constantina, and the like, which differ little from the corresponding male forms, and the differ-

ence is apt to be disguised by the bad handwriting in which the returns are often made. The second question brings into view the curious circumstance that in Greece the men outnumber the women in the proportion 100 to 92, while in the rest of Europe the preponderance is the other way—1,026 women to 1,000 men. Professor Andreades is disposed to accept the generalisation that Asiatic races have an excess of women, European, of men. Thus in Japan there is a considerable excess of men; and in the East of Europe the excess of women is less than in the West. Greece perhaps owes her exceptional excess of men to the occupation of the Turks. If so, that occupation left behind it one good result, in the judgment of our author, which deserves to be quoted in full. "In order that women should marry easily men should be in excess. It is desirable that unmarried women should not become numerous, as in politics and social life they are far from being elements of concord and order. We Greeks have an unpleasant experience of this, in spite of the fact that our women are in the minority. The English have an even bitterer experience. The unmarried women of England, the number of whom amounts to about a million, form a peculiar class which has been called 'the third sex.' Lowering wages by their competition with the men, claiming political rights for women, and introducing a freedom of action which is far from favourable to domestic life, this class has become an element of which the disturbing effect is very marked." The views of Pericles respecting the sphere of woman seem to have been inherited by the distinguished modern Athenian. Going on to another head of the census, the "Civil State," as our statisticians say, Prof. Andreades points out that inferences as to the character of a people from the number of marriages must be made with caution. In Greece, account must be taken of the excellent custom—literally "sacred tradition"—that brothers must see their sisters settled in life before they themselves marry. Professor Andreades concludes his striking and instructive address by combating the prejudices against the census, which seem to be as strong in Greece to-day as they once were in England. He reminds the devout of the memorable journey to Bethlehem that was undertaken in obedience to the requirements of the census; he warns the patriotic that deficiency in this branch of statistics is generally regarded as a mark of an imperfect civilisation.

F. Y. EDGEWORTH

THE Editor has received the following communication from Major Darwin :—

From Prof. Stanley Turner's review of my book on *Municipal Ownership* in the March ECONOMIC JOURNAL, I see that I have not altogether escaped the pitfalls which accompany condensed writing. Nor, I think, has my reviewer. As representing the substance of an argument of mine, it is stated that "Tramways owned and worked by Municipalities yielded an average net profit of only 8/10ths per cent. on the total capital, while those owned, but not worked, by Municipalities yielded about 2 per cent. to the local authority." Now I did not say that these results had actually been obtained. My words were that "the figures indicate that a city should *expect to obtain, whilst the debts remain unredeemed*, a net profit of about 8/10ths per cent. on the capital by working its own railways (tramways); whilst by leasing them out it *might expect to make about 2 per cent.; provided that the same conditions held good in the two cases as to sinking funds*." It is to the qualifying phrases now printed in italics that I should like to direct Prof. Turner's attention; because the figures he gives later on, which are the actual net profits, naturally differ from mine, which represent hypothetical profits on certain conditions. The net profits made by Municipalities obviously increase concurrently with the redemption of their trading debts, and it seemed to me best to estimate what profits they would have been making if none of their debts had been redeemed; because what we want to know is whether under these conditions their true profits would or would not cover the charges for their sinking funds. As the proportion of the capital provided which had been redeemed differed considerably at the date in question in the cases of the two classes of tramways being compared, this inequality was thus also allowed for. Moreover, I endeavoured in a more questionable manner to make an allowance for the difference in the sinking fund charges, whilst other inequalities perforce remained uncorrected. All these defects, however, seemed to me to be covered by my remark that my calculations were "untrustworthy for various reasons." In short, I merely wish to point out that my figures, though open to criticism, are not mere blunders.

NOTES AND MEMORANDA

THE BUDGET OF 1908.

OWING to the special circumstances of the political situation this year's Budget, by a return to a course deserted for sixty years, has been "opened by" the Prime Minister himself, and this unwonted proceeding has added piquancy to an occasion sufficiently interesting on other and more substantial grounds. Improvements in financial returns and the wider circulation given to their contents by the Press have taken away most of the mystery that used to surround the national finances. Receipts and expenditure are made known to the public during the progress of the financial year, and at its close the balance of the accounts is obvious. Further, the estimates for the expenditure of the coming year are published, and supply data for a calculation as to the revenue needed. Thus the expounder of the modern Budget has only to place in a clear light a series of facts already known in detached parts. His constructive task begins with the alterations in administration and taxation that he may propose, and these were awaited with keen expectation. In the present case the narrative has proved a cheerful one. In spite of declines in excise and stamps, the revenue has decidedly exceeded the estimates, while expenditure, even with supplemental estimates approaching a million, is lower than the amount provided for. As the outcome of these facts the year shows a surplus of £4,726,000. But this figure, large as it is, gives a very inadequate idea of the real excess of receipts over outlay, for the terminable annuities and the new Sinking Fund have paid off large accounts of debt amounting in the aggregate to nearly fifteen millions,¹ and this figure must be added to the so-called "realised surplus" in order to get the true excess of income over

¹ The precise amount is difficult to state, for (1) the funded debt has been redeemed under par and so has the portion of the war loan of 1900 bought in; (2) the terminable annuities are a complication in framing the true account.

outlay. After allowance has been made for the "old Sinking Fund," or realised surplus of 1906-7, it appears that the true surplus for 1907-8 is between £14,000,000 and £15,000,000, or more than the total yield of the duties on tea, coffee, cocoa, and sugar. Were the country resolved to leave the debt at its present level and disinclined to increased expenditure, the free breakfast-table might be at once brought into existence. But neither of these sentiments is felt by the administration which is prepared to continue the policy of debt-reduction, though at a lower rate, and is likewise ready to incur fresh charges for the purpose of social reform.

Before dealing with the principal parts of the Budget scheme two less prominent but really important points may be noted, viz., (1) the absorption of the local taxation account in the general finance, and (2) the proposed reconstruction of the revenue departments. By a clause of the Finance Bill of 1907, Lord Goschen's unfortunate device of assigning parts of special taxes to the aid of local finance has disappeared, and it would seem that in the future the allocation of the amount quoted for this purpose should be voted by Parliament after due explanation by the Minister accountable. The advantage of bringing all revenue collected by the State into the Budget account is obvious, though the fact that central expenditure does in this way supply a part of the local receipts should not be disregarded in estimating the total burden imposed on the country. As to the second, it cannot be denied the duties of the Excise and Customs Departments are closely akin. Even at present "the two departments, though nominally independent, transact much of each other's business."¹ The wisdom of placing the taxation of commodities under a single department ought to be manifest. It was implied in Walpole's excise scheme, and is specially important in a free-trade country. The proposal in the Budget to transfer the excise from the Inland Revenue to the Customs is therefore to be welcomed as tending to greater clearness and higher efficiency.

The great interest of the Budget, however, centres in the long-announced plan for old age pensions, and to this topic the Prime Minister devoted a large part of his speech. Nevertheless, it is true that, strictly speaking, expenditure on pensions of any kind is, as such, on the same line as military or naval expenditure and therefore the policy does not belong to the financial department. A pension measure is like the territorial army plan of the War Minister, to be considered on other than financial grounds. But

¹ *Dictionary of Political Economy*, Art. "Customs."

if justification of the course actually taken be needed it is to be found in the dependence of the pension scheme on sound finance. Unless due provision is made for adequate funds, there must be a disastrous collapse. The basis of the measure is to be found in the largeness of the surplus revenue. It is this cardinal fact which governs the situation. Whether old age pensions are desirable or not is a question, not of finance, but of social policy. Their possibility rests on the guarantee of a revenue sufficient to meet the charge. It is accordingly unnecessary to deal with the difficult question of policy, and we need only note that the scheme set forth in the Budget does not impose a burden beyond the power of the existing revenue to meet. The sugar duty at the rate at which it was imposed, a 6*d.* duty on tea, or half the present duty on tobacco would suffice to give the required £6,000,000. The financial danger lies in the pressure for increasing the amount of pension or lowering the initial age, which will undoubtedly come into active operation. The growth from £6,000,000 to threefold the amount seems as likely as the growth of the cost of education or the naval estimates. We may take a hopeful view of the growth of the country's income, but the risk of war cannot be overlooked, in which case the difficulties of a heavy Pensions Bill would be keenly felt, unless the unpopular course of reducing it were resorted to. The truth seems to be that the competition of the rival parties has made old age pensions inevitable, leaving to the financier only the duty of securing a proper adjustment of the scheme to the available revenue.

The only unexpected feature in the financial proposals was the reduction of the sugar duty by more than one-half. The large interests concerned in the use of this commodity had given up all hope of relief for this year, and were consequently peculiarly pleased. The remission is as prudent as it is likely to be popular. The experience of the last seven years has shown that the sugar duty is harassing to many manufactures, and that it operates almost as an income tax on the poorer classes. It has been steadily condemned by many members of the Government, and its complete removal appears to be one of the next steps in Liberal financial policy, even if direct taxation has to be further developed.

Taking the policy of the Budget as a whole, its characteristics are easily ascertained. It maintains the sound rule that, in addition to meeting the expenses of the State, the revenue shall be sufficient to provide for substantial repayment of debt. It equally shows adhesion to the cardinal principle that the taxes

imposed shall be comparatively few and all productive, and even indicates a further application of this principle in the future. It recognises the weight of opinion in favour of social reform by providing the basis for gradual development in this direction, and finally it marks a step in the process of removing the taxes that the South African war made necessary. In a word, it continues the traditions of Peel and Gladstone under the altered conditions of a new time. Regarded in another way, or from the negative side, it has done nothing to encourage the idea that fresh resources are to be found in new, or in the revival of old taxes, and it has left to the future to deal with the grave problem of increasing the proportion of direct taxation. As the super-tax on large incomes has been postponed, so has the generally anticipated tax on motor vehicles. We may, indeed, conjecture that had there been no change in the Chancellorship of the Exchequer there would have been other important adjustments in the financial system. But the consistent carrying out of a settled and definite policy, the initiation of a difficult and debatable measure of social relief, and the planning out of a considerable administrative change are tasks quite great enough for a single year. When the completed record of the present chapter of national finance comes to be written it will be interesting to compare it with the results of the very different methods of the preceding period, and also with the expedients that the supporters of an opposed policy announce themselves ready to carry out.

C. F. BASTABLE

THE PRINCIPLE OF RATING : A REPLY.

I do not propose at present to reargue the question whether the exemption of buildings from local rates would encourage the growth of the population in highly-rated towns as compared with the low-rated country.¹ Mr. Harper, who, in the March number of the *ECONOMIC JOURNAL*, has criticised my views on the subject, cannot see that if we remove a big "discouragement" to house accommodation from one place and only remove a small "discouragement" from another place, we shall encourage people to live in the former rather than in the latter. I, on the other hand, cannot see how anyone can doubt it, and will content myself with pointing out that when Mr. Harper complains that I confuse "the reduction

¹ *ECONOMIC JOURNAL*, March, 1907, pp. 36—46.

of rates in the outskirts of a great town with the reduction of the total amount of the rates borne by the whole town," and insists that the total will not be altered,¹ he seems to have forgotten that his whole theory depends on the proposition that rates levied on site-values alone will not "discourage" building at all.

It seems, however, worth while to attempt to elucidate a little further the main principle which should be followed. If Mr. Harper and I can agree upon that, it does not much matter whether we disagree as to the precise bad consequences to be expected if it is not followed. Now, strange as it seems, we appear to be in perfect agreement as to the main principle. Mr. Harper says: "The principle of rating for local beneficial services lies in measuring the charge for them according to the benefit enjoyed by each ratepayer."² There may, of course, be some doubt as to the classification of services into local and non-local, beneficial and non-beneficial, but I do not think that in Mr. Harper's dispute with me anything turns upon that. We should probably agree that rates for non-local and non-beneficial purposes are survivals of barbarism in rapid process of extinction by the extension of central government finance, and that we need not trouble ourselves about them in considering the general principles of schemes for local taxation in the future.

Nor, I think, should we disagree about the interpretation of the phrase "according to the benefit enjoyed." We should both, I imagine, interpret it to mean "in proportion to the cost of the service or commodity supplied." The total cost has to be apportioned among the contributors, and the object is to apportion it in such a way that an impartial person would say it had been fairly distributed, taking into account the various kinds of cost involved. In some cases the principle is satisfied by charging simply according to the measured quantity of commodity or service supplied. For example, a charge for gas varying simply with the number of cubic feet supplied is usually regarded as quite a satisfactory means of distributing the cost of a gas supply between the various consumers. In other cases, refinements have been introduced owing to weight being given to the consideration that when an organisation is once in existence, the cost per unit of supplying additional quantities is not so great as the cost of the whole quantity per unit: this being the case, it seems reasonable to modify the charge somewhat in favour of those who will take more if they can get the additional quantity at a lower price per unit. Hence we often find

¹ ECONOMIC JOURNAL, March, 1908, p. 37.

² *Ibid.*, p. 40.

allowances to large consumers of gas, and we generally find non-domestic water supplied by meter on a scale which diminishes the price as the quantity taken increases. The problem of the distribution or apportionment of cost in the provision of local authorities' services is, in fact, just like that of the apportionment of costs in the case of a railway service which had no legal maximum rates and charges, and had to pay three or four per cent. on the capital involved, and no more. It is, and always must be, a very difficult problem, incapable of perfectly exact solution in practice, but in real life we have always to be content with very rough approximations to the ideal. Probably our best plan, at any rate at first, is to neglect all the refinements, and to suppose that our ideal is the apportionment of the charge according to quantity of commodity or service supplied.

Here we may as well note parenthetically that it is not necessary to discover the ultimate recipient of the benefit and make the charge directly on him. The persons who ultimately enjoy the benefit of the Thirlmere water supplied to a Lancashire manufacturer may be in China or Timbuctoo, where the Corporation of Manchester keeps no collectors and has no jurisdiction. Some of the people who ultimately enjoy the benefit of the services of the City of Westminster and the London County Council are customers of Regent Street shops who reside outside Westminster and outside London. All these can be reached satisfactorily if the local authority charges for its services those to whom the services go in the first instance, just as the ultimate enjoyers of the cotton grown in Virginia are reached through the charges made by the cotton planters to the buyers of raw cotton.

Now if all services supplied by local authorities were like the supply of bread, or gas, or water, there would be little difficulty in charging according to quantity: the local authority would supply responsible persons, and send in its bill to them at the end of each half-year or quarter for so many cubic feet of gas at so much, so many gallons of water supplied, so many gallons of sewage and so many loads of house refuse removed, so many hours of one policeman, and so on. But, as a matter of fact, actual measurement of quantity supplied is generally either too costly or altogether impossible. The recipient has to take what is given him, and cannot increase or diminish the quantity at will, as he can where the commodity or service is supplied by measure. It is impossible to arrange that Jones, who is nervous, should have 100 hours police, and Smith, who is not, should have only 50, and let them pay accordingly. Hence some kind of

criterion has to be found for forming a rough estimate of the cost to which the local organisation is put by the existence of this or that object or institution within its boundaries.

The criterion actually adopted in this country is that of annual value of immovable property, with the modifications involved in agricultural land being taken at half its annual value in some cases, and, along with canals and railway lines, at one quarter in others.

Mr. Harper has not much to say against the correctness of this criterion. He says, "As a matter of fact, the variations are considerable. For instance, new buildings do not add to the expenses of the local authority in making new roads, as this cost is borne by the frontage owners. Again, shops do not add to those expenses in the matter of street lighting, as in providing their own light they also illuminate the street. The public lamps maintained by the local authority become really necessary to the general public only when the shops are closed and do not require them" (p. 40). I cannot imagine what the cost of new roads borne by the frontage owners has to do with the question of the apportionment of costs borne by the local authority and defrayed out of ordinary rates. The suggestion that shops do not add to the expense of a local authority in street lighting, or do not benefit from it because they happen sometimes to light the street immediately in front of them for part of the evening, seems to me to be groundless, and if it were correct it would not be important: it is obviously wrong to take this or that service entirely by itself: what we want to know is whether the criterion is satisfactory taking all the services together. We should naturally expect a criterion which was satisfactory as regards all taken together to fail as regards each one taken separately.

That there is a certain presumption in favour of the criterion is practically admitted by the mildness of Mr. Harper's objection, "the variations are considerable." So far as I am aware, no serious attack on the criterion has ever been made. Very likely a good case could be made out for a modification or extension of the existing "classification." That is, it is very likely that the apportionment of cost could be made more exact by introducing more differential rating as between different kinds of property. It may even be true that capital value (already used in some countries) would be a better criterion than annual value. But to allege that the exemption of buildings or of all "improvements" from rating, and the charging of all costs in proportion

to an arbitrarily defined site-value, would bring about a nearer approximation to the apportionment of cost according to benefit is surely little short of ludicrous. It is surely obvious that the expense the local authority is put to in respect of a certain area of land is dependent on what is done with that area, and that, as a general rule, the more valuable the buildings or "improvements," at least of any one class, the greater the expense.

Mr. Harper's idea that bare site-value would be a better criterion for the apportionment of charges than the value of all immovable property is, in fact, based not upon a cool consideration of the probable value of benefits based on their probable cost, but on the inversion of a rather old-fashioned fallacy of incidence. Years ago some people used to allege that all rates were borne by the landowners: they forgot the fact that when a benefit is given exactly equal in value to the cost of producing it, the "burden" of rates is counterbalanced by the "benefit," so that the landowner is no more injured by the occupier paying the local authority for giving him gas or water, or for taking away his dust and sewage, than by his paying his butcher for meat, or his baker for bread. Conversely, Mr. Harper and many other advocates of the exemption of buildings, forget that the benefit is counterbalanced by the payment which is made for it, and, therefore, imagine that people will be willing and able to pay the landowner the price of the benefit in addition to the price which they would pay if the benefit were not given. For example, when the local authority undertakes the removal of dust from a house at a cost, say, of 10s. per annum paid in rate, Mr. Harper believes the occupier pays the local authority 10s. for the service, and also pays the landowner 10s. for the benefit. This sounds too incredible, but it is difficult to get any other meaning from the passage which follows Mr. Harper's enunciation of the principle of charging according to benefit. He says charging according to benefit is "just what the values of individual buildings fail to do," and then proceeds: "Take the service of drainage as an instance. When a drainage system is laid out by a local authority, the benefit is distributed over the district it serves, whether built on or not." (What benefit are main sewers to the owner or occupier of land not built on or likely to be built on? But let that pass.) "The owner of vacant land can obtain a higher price or ground rent for it *because there is a drainage system*; and this benefit comes to him irrespective of the erection of the buildings." If no buildings are ever erected, the owner of vacant land will absolutely lose, unless he imposes on some purchaser, and shifts his loss to him. The land will be chargeable

with a new rate, and be in no way improved by the drainage scheme. But even in a district destined to be entirely built over, it is obvious that the burden of paying has to be set against the benefit of easier sewage disposal. There is no reason to suppose that sewage schemes as a rule cost less than they are worth, and considering it is open to any local authority and to any landowner to start such a scheme, it is exceedingly improbable that competition is not sufficient to keep the value down to the cost. When we add to that the fact of a central or other authority urging sewerage schemes in order to prevent river pollution or other dangers to health not very vivid to the ordinary mind, it seems extremely likely that the commercial value of many sewerage schemes is much less than their cost, and I think I could indicate one or two at least. And in any case, Mr. Harper cannot mean to apportion charges in proportion to *surplus* value (*i.e.*, the new value *minus* the old value): that would be impossible wherever there was none, and, as a matter of fact, his scheme is for the rating of total site-values.

Any doubts as to the correctness of my interpretation of Mr. Harper's thought must be set at rest by the next three sentences: "Similar reasoning applies to the maintenance, lighting, and cleansing of streets and all other local services. In short, the benefits accruing from all beneficial services, although they are enjoyed by the occupier, take permanent and pecuniary shape only in the payment of rent for the use of the site, made by the occupier, either directly or indirectly, to the landowner. Thus they invariably tend to enhance land value, which is clearly indicated as a much better measure of payment according to benefit than buildings." There is no suggestion here that the occupier does not pay the local authority for the benefits he is admitted to "enjoy," but the landowner is supposed to get paid for them as well in a percentage addition to his rent. In fact, an extraordinary productive power is attributed to local authorities; whatever they produce, provided only that it is paid for out of rates, is worth double what it costs, so that the occupiers can pay the whole cost to the local authority in rates based on immovable property, and also pay the whole cost, or possibly more, to their landlords in the shape of percentage addition to the land-value. Had we not better put the provision of everything upon the rates? We shall not pay (very much) more, and the landowners' incomes, which can be taxed, will be increased by at least our whole present expenditure!

EDWIN CANNAN

THE PROPOSED RIVER NAVIGATION DUTIES IN GERMANY.

THE endeavour of the Prussian Government to introduce navigation duties on the natural waterways of the Empire continues to be resisted by several of the States affected and by the commercial classes almost universally. It will be remembered that the proposal is a result of a bargain made by the Prussian Government with the agrarian party in the State Diet in 1905, according to which the Government's canal projects were allowed to pass on the promise that duties should be imposed on "rivers regulated in the interest of navigation." This undertaking was embodied in the Canal Act and passed, with the proviso: "The levying of these duties shall begin at the latest with the coming into use of the Rhine-Weser Canal or a portion of the same."

Whether the proposed duties shall be imposed or not is first a constitutional and then an international question. Not only will Prussia have to win over all the German States concerned to the necessary alteration of the constitution, but it must also satisfy neighbouring States like France, Holland, and Austria-Hungary before the freedom of the Rhine and the Elbe can be abolished. For the Rhine Navigation Act of October 17th, 1868, was signed not only by Prussia, Baden, Bavaria, and Hesse, but by France and Holland, while to the Elbe Navigation Act, securing complete freedom of navigation upon that river, Austria was a party. Two articles of the Imperial constitution deal with the inland waterways and their regulation. Article 4 reserves to the Empire the "oversight" of (amongst other matters) "the carrying on of rafting and navigation on the waterways common to the several States, and the condition of such waterways, as well as the river and other water duties" (navigation marks such as lights, buoys, &c., being added by an amendment in 1873). As for the duties contemplated, Article 54 expressly states:—

"On all natural waterways duties shall only be levied for the use of special works (the word is "*Anstalten*") which are intended to facilitate traffic. These duties, as well as the duties for the navigation of such artificial waterways as are State property, shall not exceed the costs necessary to the maintenance and usual renewal of the plants and works. These provisions shall only apply to rafting in so far as it is carried on on navigable waterways."

There is in the same article a guarantee against preferential treatment in the provision which states: "In the seaports and on all natural and artificial waterways of the federated States

the merchant ships of all those States shall be admitted and treated on equal terms. The duties which are levied in the seaports from sea-going ships on their cargoes for the use of shipping works may not exceed the costs necessary for the maintenance and usual renewal of these works."

Thus, the duties legalised and permitted on the rivers are constructively the harbour and similar duties which are charged in seaports; of navigation duties in the ordinary sense there is no suggestion. The intentions of the framers of the constitution are clear from a Federal Council declaration of 1870, stating: "The idea is no other than that the waterways provided by nature shall be thrown open to common use without restriction or charge." Further, that the rivers were intended to be free is evident from the fact that the duties which had been levied on the Elbe were repealed in 1870 by treaty between the North German Confederation and Austria, and those on waterways in Alsace Lorraine were repealed by a law of 1873.

The attitude of the Prussian Government on this question has undergone an entire transformation during the past twelve years. Down to 1896 it frankly and without any reservation held the view that the levying of river duties was impossible, since the free navigation of the rivers was secured by the constitution and by international law. In 1902 the desire to introduce such duties was openly avowed, but they were still declared to be unpracticable for the reason just given. In 1904 the wish became a resolve, and Prussia now for the first time disputed the interpretation of Article 54 of the Imperial constitution in the sense traditionally and universally received; in other words, it contended that free navigation was not intended to be unlimited, and that, subject to the constitution as it stands, duties might legally be levied. Following this decision came in 1905 the Canal Law with the provision quoted, committing the Prussian Government to distinct antagonism to the existing freedom of the rivers and to a denial of the interpretation of the constitution which has held the field for the last forty years.

As an illustration of how great events can from little causes spring, it is interesting to point out that the whole question, with all the inter-State controversies which it has already created, and the international controversies to which it may yet give rise, hinges upon the interpretation to be placed upon two words. These are the words: "*besondere Anstalten*." Where the greatest jurists differ as to the exact definition of these words, it would be rash to bind oneself to a too literal translation, though

the sense is given by the words already used, viz., "special works." The point upon which the official Prussian jurisconsults profess to differ from all other authorities is whether these "special works," justifying duties, include works of a general character executed for the deepening or widening of the channel, or merely special works like docks, bridges, warehouses, roads, cranes, &c. The official view is that works of the former kind are "special," and that the users of the rivers may legally be required to contribute to their cost—a view which is in conflict with the entire policy of the States and the Empire since the creation of the North German Confederation. It cannot be forgotten that even when duties were introduced on the lower Weser because of heavy expenditure on improvements, it required a special law because of the admitted constitutional difficulty. The Prussian official advocates of river duties have, however, a further argument, which is that even if the deepening and widening of a river cannot be regarded as "special works," a river so altered is no longer a "natural waterway," and becomes an "artificial waterway," hence is subject to navigation duties. Taking this argument for what it is worth, the point would seem to have escaped the acute legal minds behind it that even "artificial waterways" are not subject to duties according to the constitution unless they are State property, a reservation which would exclude all rivers.

The question will not, however, be settled by legal argument. Before the Prussian Government can carry its proposal it will have first to win over a majority of the federal States to an amendment of the constitution, which means that fourteen votes against any change are fatal; it will also have to carry the Reichstag with it, and it will have to satisfy the treaty rights of France, Holland, and Austria. As to the German States, the Prussian Government is following the classical method, "*Divide et impera*," isolating the States one by one, so far as it can, by the offer to each of some special inducement—*c.g.*, to Wurtemberg the deepening of the Neckar, to Bavaria the rectification of the Main, &c. It appears certain that Wurtemberg has been won over; Baden, however, has not committed itself, Bavaria's attitude is also uncertain, and Saxony and Hesse are quite unconvinced. The strongest opposition to the proposed duties is being shown in Saxony and Baden. The Chamber of Commerce of Mannheim has estimated that the introduction of duties upon the Rhine would cost that town alone £50,000 yearly.

WILLIAM HARBUTT DAWSON

INDIAN CURRENCY.

NEMESIS may, it appears from recent developments, yet overtake the Indian Government in the conduct of its currency arrangements.

So long as gold prices were on the rise everything went merrily. The Government had only to coin as many rupees as would keep silver prices at the same height—and Government pocketed the handsome profit represented by the difference between the coinage value of the rupee and the value of the bullion composing it.

Lulled into a false security Government, instead of keeping this fund intact in hard gold ready to meet the backward oscillation of the pendulum, has invested much of it in securities, and has even broken into it to provide funds for the financing of railways.

But a time comes when gold prices fall, or silver prices rise over the corresponding level of gold prices. When such a position occurs, and the export trade is checked, silver prices must accommodate themselves to gold prices, or the exchange must fall. Silver currency, however, cannot be pumped out of the circulation with the same fatal facility with which it can be pumped in. The exchanges therefore fall, and the Government has to face a situation of its own creation, with its resources tied up in securities and silver, with a very scanty backing of gold.

It is to be hoped that the lesson will be a very severe one, so that the mistakes of the past few years will never be repeated. The position has never been clearly seized. In many decades silver proved for the internal trade of India a very excellent standard, and prices remained singularly constant. As each agricultural season approached, a stream of rupees came out from the mints irrigating the thirsty channels of trade. So soon as their work was done the silver no longer required evaporated, the greater portion being melted for use in the arts, and a considerable quantity passing into hoards. Before the closing of the mints, the yearly stream of rupees became somewhat unduly great, owing to the discarding of silver by the great countries in the West. It is therefore probable that before 1893, prices had taken a slight upward turn, owing to supplies being greater than the yearly evaporation.

When the mints were closed, a very different state of affairs was created. The value of the rupee becoming divorced from its bullion value, and strictly dependent upon its volume,

rose, towards the close of the nineties, to the desired par of 16d. This result was probably in part due to the reduced volume of rupees, and in part to a fall in gold caused by the discoveries in South Africa. Gold continued to cheapen, and Government, instead of introducing and promoting its use in India, proceeded to cheapen the rupee *pari passu*. That is to say, instead of spreading the undesirable rise of prices due to a cheapening of gold over a larger area, and so reducing its effect, Government tried to keep pace with the rise by coining rupees. Besides, however, losing this excellent chance of remedying a great evil, the Government committed itself to the task of keeping at a fixed par two metals which circulate under widely different conditions. Gold, when redundant, has only to be exported to find its level. A token rupee cannot be exported, and will never be melted, which last operation formerly played much the same part in India as export in more modern countries. Moreover, India is a peculiarly bad country to try experiments in a token currency, for it owes to England a large debt, which requires a yearly settlement in gold. As has already been observed, so long as gold and silver prices were so obliging as to move together and upwards with no very violent differences in speed, no evil effects of this unscientific policy were apparent.

To all this the objection is made: What else could India do? The trade wanted rupees, and it had to be supplied. This is not the case. India is perfectly willing to use gold. Every year it uses more, and all that is necessary is to supply gold in a form more suitable to the country, viz., coins of a slightly smaller value—10 Rs. pieces and 5 Rs. pieces.

RECENT OFFICIAL PAPERS.

Report of an Enquiry by the Board of Trade into Working Class Rents, Housing and Retail Prices, together with the Standard Rates of Wages prevailing in Certain Occupations in the Principal Industrial Towns of the United Kingdom.
[Cd. 3864.] Price 6s.

THIS report, which completes and supplements previous reports dealing with industrial conditions (Cd. 1761 of 1903, and Cd. 2337 of 1904), embodies the results of extensive investigations by the Board of Trade into rents of working-class dwellings, and the prices "most usually paid by the working classes" for sundry

articles of food and for fuel (mainly coal) in seventy-seven industrial towns in England and Wales, eleven in Scotland, and six in Ireland. Similar inquiries have been pursued in France and Germany with a view to establishing a basis for a quantitative comparison of working-class conditions in those countries and the United Kingdom. Since wages and earnings are the subject of a separate inquiry now in progress, the present report "does not attempt to deal with earnings generally." But, in order to furnish some idea, necessarily very general, of the relative level of wages in the selected towns, the standard rates of wages in the building, engineering, printing, and furnishing trades are quoted, these trades being chosen because of their dispersion throughout the country.

The period to which the statistics relate is the month of October, 1905, the changes between then and October, 1907, being briefly summarised.

Many local sources of information were tapped for both rents and prices, and the data so obtained were, to some extent, checked by means of personal visits of the investigators to many working-class houses. The knowledge gained by these visits of the housing conditions predominating in the several towns, together with many valuable details respecting prices, standard rates of wages, occupations, vital statistics, &c., is given for each of the towns (in four cases two towns are taken together) in a number of short monographs occupying the greater part of the report.

The rents and prices most commonly paid are printed, but for comparative purposes the method of index numbers is used. London is divided into three zones, exclusive of the City—namely, the central, middle, and outer—and the predominant rents and prices observed in the middle zone have been taken as the basis of comparison, though hardly sufficient reasons are adduced for arbitrarily selecting this portion of London to the exclusion of other parts. The Scotch towns are, in addition, referred to Edinburgh as a standard, and the Irish to Dublin.

The index numbers for retail prices are based on a limited number of foodstuffs and on coal. The list is by no means exhaustive of the numerous articles of food consumed by the working classes. Oatmeal, an important article of diet in Scotland, and foreign and colonial meats, which are similarly important in England, are excluded, because they are not both common to the whole kingdom. The cost of lighting also is ignored, so that these index numbers cannot be accepted unreservedly as indicative of the real relative cost of living (apart from rent) in the

towns dealt with. The mass of statistics in the report relating to retail prices is of great value. But it is to be regretted that the mean of several prices collected throughout a longer period than one month was not obtained and published. Retail prices in shops are subject to temporary fluctuations, and in confining the scope of the inquiry to but one month, there is the risk that exceptional prices may have been registered. If a similar investigation to the present ever be undertaken in the future in order to ascertain what changes have occurred in cost of living, it could not be said with assurance that the differences in the prices which prevailed in two Octobers—say ten years apart—were to be attributed wholly to secular causes. An analogous objection could be urged in the case of the comparison of prices in different countries. The number of items entering into the index numbers is hardly great enough to counterbalance the possibly exceptional prices of a few items.

The rent index numbers show the relation between the "mean predominant rent" paid in any particular town for the most prevalent type of tenements therein, and the "mean predominant rent" paid in the middle zone of London for tenements containing a corresponding number of rooms, irrespective of size or sanitary condition. If it could be assumed that the composition of the working classes was similar in the different towns, the best index number would be one based on the average rents paid, the rent for each type of tenement being weighted by a number proportional to the population occupying that type. If this assumption cannot properly be made, the kind of index number adopted in the report is probably the most useful.

In combining the price and rent index numbers to form a new set of index numbers representing the level of the cost of food, coal, and housing, the former are given a weight of four, and the latter a weight of one. It is open to question, however, whether the weights should not rather be three and one respectively. Were these weights employed, the relative positions of the towns would not be altered to any extent, but they would compare more favourably with London as regards cost of living than the report shows to be the case.

Finally, the index numbers for the standard rates of wages in the selected trades are combined with the other index numbers to furnish a rough approximation to the level of "real wages" in the towns. But since the standard rates of wages are not by any means the real earnings of the workers, this last set of index numbers must be used with caution.

The several index numbers for various geographical groups are summarised in the following table :—

Geographical Groups.	Mean Index Numbers.				
	Rent.	Prices.	Rent and Prices Combined.	Standard Wages. ¹	"Real Wages."
England and Wales :—					
London	100	100	100	100	100
N. Counties and Cleveland...	62	97	90	86	96
Yorkshire (excepting Cleveland)	56	94	87	84	97
Lancashire and Cheshire ...	54	92	84	87	104
Midlands	51	93	85	85	100
Eastern Counties	50	98	88	76	86
Southern Counties	61	102	93	80	86
Wales and Monmouth	60	96	89	86	97
Scotland	69	102	95	83	87
Ireland	50	97	87	84	97

¹ Building, Engineering, and Printing Trades.

Despite the defects in the report, it remains a valuable contribution to the rapidly growing mass of statistical literature relating to the conditions of living among the various classes in the community, and adds appreciably to the kind of facts with which the economist must test many of his theories.

A misprint occurs in the table at the top of page xxxiii, where the combined index number for rent and prices in Cork is given as 85. It should be 89.

A. D. WEBB

Statistique internationale du Mouvement de la Population d'après les Registres d'Etat civil. Résumé rétrospectif depuis l'Origine des Statistiques de l'Etat civil jusqu'en 1905. (Paris : Imprimerie nationale, 1907.)

THIS book is a valuable *résumé* of the vital statistics collected and published in some forty civilised States of the world. It deals solely with births, marriages, and deaths, and ignores migration. Its purpose is largely to give detailed information of such a nature as to facilitate demographical studies, and avoid the necessity for laborious researches in the original sources, and, as far as it goes, the book certainly achieves this object. A useful bibliography is given of the principal official publications dealing with population statistics, together with a list of special works relating to international statistics.

The book is divided into four parts, besides the introductory statement. The first part contains, *in extenso*, a series of tables

showing, year by year, for each State, the estimated population, as well as the census population in the census years, the numbers of marriages, births, and deaths, and their proportion per 100 inhabitants. The remaining parts deal with marriages, births, and deaths in detail.

The most interesting sections are those relating to births and infantile mortality. The decline in the birth-rate, which has been a well-known feature of vital statistics during the last thirty years, is shown to be common practically to the whole of Europe, excepting, perhaps, Ireland and one or two Balkan States. France alone exhibits a downward trend throughout the whole of last century. The phenomenon is observed also in several of the American States and in Australasia. In Japan, on the other hand, the figures show, on the whole, an increasing birth-rate.

The international comparison of the rates of infantile mortality is difficult, chiefly because the distinction between livebirths and stillbirths is not everywhere the same, and because the number of infants "at risk" is not always accurately enough known. In general, the infantile death-rate in the United Kingdom compares favourably with most other European countries, though, unlike the case with them, this rate increased in the United Kingdom from about 1880 to the end of the century. This may, perhaps, be largely accounted for by fewer deaths, which occur in the first day or two after birth, being treated as stillbirths, and so escaping registration.

The book throughout bears eloquent testimony to the extreme difficulty involved in the comparison of international statistics, and careful attention should be given to the warnings in the letterpress respecting the limitations to the comparability of the tables.

A few diagrams accompany the tables, and serve to bring out many salient features. The value of the book would have been increased had diagrams been more freely used, especially if "continuous averages" were employed in their construction, instead of the averages of successive decennial periods.

A. D. WEBB

*Investigation of Home Industry by the French Labour Office.*¹

THE French Government recently introduced a Bill dealing with the regulation of labour, including that of homework. It has simply reproduced the system of regulation adopted in

¹ *Enquête sur le Travail à domicile dans l'Industrie de la lingerie.* Tome I. Paris: Office du Travail. Pp. 768.

England, especially the clause under which all employers who are employing home labour are compelled to enter in a special register the names and addresses of such employees. But at the same time the Labour Office appointed a Commission of inquiry into the condition of homework. This being a very great innovation, the inquiry was limited to the *lingerie* or linen goods industry, one of the most extensive of home industries. The results of the inquiry fill three volumes. Only the first, which deals with Paris, is as yet published, the honours for which are due to MM. George and Maurice Alfassa, who have mainly edited it.

The greater part of this bulky volume is filled with the evidence educed from the 510 questions put to homeworkers, bearing on every possible matter of economic interest—on wages, hours of work, different resources, lodging, hygiene, &c. It has been no easy matter, as may be imagined, to elicit these replies, or even to discover the addresses of those marked out for giving evidence. To get together these 510 witnesses, the zealous Commissioners of the Labour Office had to make nearly 1,500 visits. However, they were almost everywhere well received, and the workers did their best to answer. Unfortunately, it often happened that they were very ignorant as to their own circumstances, and many did not even know exactly what they were earning.

We have no word in French for “sweated,” but we have the sweating, and those who are interested in this very real thing will find in this volume documents numerous, if not new, giving definite and doleful confirmation to evidence forthcoming in every country. Pity and horror fill us as we read these biographies so mutually similar and so eloquent in their monotony.

Here is one in which the subject “sometimes spends the entire week at her sewing-machine, without leaving the house, or making her bed, or eating any but cold food (she does not even snatch the time to re-light her stove), or giving one stroke of the broom to her floor, on which the snippings of material are piling up, or giving any attention to her toilet. This activity has but one check—the police regulations, which forbid the working of a sewing-machine during certain hours of the night, and which were enforced at the intervention of a neighbour, an interruption which decided the worker to leave the house.”

This superhuman labour had at least this success, that it brought the worker an average wage of 5 francs a day. This is a very high figure, to which, alas! but very few attain.

Here is another case, where the subject is a house-porter (*concierge*). "Usually her rate is one shirt a day of 8 hours, by which she earns from 90 centimes to 1 fr. 25 c. In seasons of high pressure she has worked 19 hours consecutively, earning thereby 2 fr. 50 c. Altogether, partly by reason of an out-of-work interval of two or three months, Mlle. S. only earns 300 francs yearly." It is true that she earns, besides, 148 francs as *concierge*, and, as such, has her lodging free. But what a lodging! "Pervaded by intense dampness, both in summer and in winter, in Mlle. S.'s room . . . the *table de nuit* can no longer be opened, the wall-paper peels off to the touch; sometimes whole pieces fall down during the night on to her bed. . . . The mattresses are like a heap of straw manure, and in the morning, when she turns them, give out a sickening odour. All her garments, especially those in her wardrobe, rot with the damp. . . ." This lamentable description occupies a whole page, but the final words are best worth quoting. "One of Mlle. S.'s chief cares is to prevent any well-intentioned lodger from drawing the attention of the sanitary authorities to the unhealthy state of her lodging, as she is convinced that any denunciation would be followed by her being dismissed by the proprietor."

Let us sum up the results as far as annual wages are concerned. In every 100 homeworkers in linen goods, 60 earn less than 400 francs (£16); 24 earn from 400 to 600 francs (£24); only 15 earn more than 600 francs. But these figures are no good guide to the real position of these working women. Many are married, or are unmarried girls, and what they earn is but a portion of the family income. We must chiefly consider the cases of widows, or deserted wives, or spinsters (who may, for all that, often have children to bring up). Among these solitary women breadwinners 30 per cent. earn less than 400 francs, 38 per cent. earn from 400 to 600 francs, 24 per cent. earn from 600 to 1,000 francs (£40), and 8 per cent. earn from 1,000 to 1,500 francs (£60) a year: average 550 francs. If we deduct cost of lodging, which, even for a single room of the poorest description, is hardly ever less than 200 francs, we see what remains, I will not say to dress themselves withal, but merely for their food—less than 1 franc a day!

Here is a woman who, with her daughter aged 11 years, earns 483 francs in good years. She spends 200 francs on lodging and firing, and has about 75 centimes ($7\frac{1}{2}d.$) a day on which to feed two persons. They live on bread and cheese.

It is worthy of note that these women rarely complain of the

middlemen (who are women), and by no means look on them as sweaters. They only complain, almost all of them, of the time lost in going to fetch their work home, especially as they are always kept waiting, and of the cost of fetching it.

But what they chiefly bewail is the competition they suffer from the *ouvrières* of provincial towns and country, who are quite content to earn 25 to 30 francs a month, because their living is cheaper, and because their earnings are but supplementary to their husbands' wages. "There is a certain town in the Centre department where the wives of clerks and shopkeepers make the lace-work called *feston* for 60 to 70 centimes a meter. They go to fetch this work privately, when out for a walk, and execute it at home, because it looks like work done by way of amusement."

Formerly, the *lingerie* workers complained much of the competition from women of religious congregations, but since the separation of Church and State, and the dispersion of the religious orders, this competition is much reduced. One of the manufacturer's reports:—"For the last three years the prices of work have increased 25 per cent. in consequence of the disappearance of the convent"—an unexpected effect of a political measure! Nevertheless, it is possible that this competition may soon reappear under different and equally unexpected conditions: "The dispersed congregations have settled in Canada, Belgium, England, and are there training workers, whose competition is already making itself felt." This competition is felt, not through the importation into France of these articles of underclothing, but through the closure of their export to those countries, which amounted to about 25 million francs' worth.

On the very important question of the competition between piece work and factory work, the inquiry yields no positive evidence. The former system effects three-quarters of the linen goods industry, the latter only one-quarter, although, be it noted, the latter is extending. All manufacturers affirm the superiority of the factory system, not only because it yields larger profits to the employer and higher wages to the worker, but also because it produces articles of superior quality.

"Nevertheless," one of them says, "hand work persists because customers insist on it in articles of a certain price. It is a tenacious prejudice, for in reality work done by hand can claim no superiority of any importance."

Between the two systems, hand work and work done at the workshop, there is an intermediate procedure. This is home-

work done by a motor machine, which is the property of the manufacturer or of a middleman. But this mixed system, which, at first sight, would seem to combine the advantages of both the others, is, in fact, the most defective. The machines are badly kept, and deteriorate too quickly.

Finally, manufacturers, middlemen, workers, all complain that they make nothing! Whence it would appear that the consumer alone reaps the advantage from this sad state of things, in the shape of low prices, and that he therefore bears the economic and moral responsibility.

CHARLES GIDE

OBITUARY.

VITO CUSUMANO.

THE economist, whose loss we deplore, played an important part awhile ago in our scientific awakening, and linked his name to a period of high significance for the history of Italian political economy. Rightly to understand its importance we must revert in our thoughts to 1870, a time when economic science in Italy was entirely dominated by Francesco Ferrara. Ferrara, both from his chair and in brilliant essays, was proclaiming the optimistic theories of Carey and Bastiat, complementing and perfecting them with a series of original and supremely interesting investigations. Around the master, but on a far lower plane, were grouped a band of disciples, reproducing, in a bad Italian style, the optimistic theories which he taught in so fine a manner. Now the man who started the reaction against this baneful and enervating tendency was Vito Cusumano. Trained at Berlin by the teaching and the friendship of Adolf Wagner, he had soon become an enthusiastic adherent of the great economist and of the Socialism of the Chair, which he taught. This doctrine Cusumano expounded in militant diction—its principles, its various forms, its ideals—in his celebrated work, *Le scuole economiche della Germania e la Questione Sociale* (1874).

This book, in which the features of the German schools were very graphically described, and their leaders depicted in friendly and sympathetic terms, was a veritable revelation to Italians. In it the economists of our country were shown how, beyond the narrow circle of doctrines and phrases, within which they con-

fined their academic exercises, there lay a whole world of thought and inquiry of which they knew nothing. In that world no one ever lost sight—as they did—of the horrors of the modern economic system. These were, contrariwise, affirmed, and the iniquity of it all brought into clearest relief, as a procedure indispensable to the discovery of remedies.

“There are more things in heaven and earth, Horatio,
Than are dreamt of in your philosophy.”

The book dashed into Italian economics like a thunderbolt into an idyll. The violent controversies which it stirred up, as well as the exasperated excommunication pronounced against it by the Pontiff of Liberalism, are sufficient alone to reveal the immense influence exerted by the work, and the vehement revulsion which it called forth in the hearts and minds of men. But its influence was greater, in depth and duration, than what its extraordinary success might lead us to infer. The glowing picture drawn by the youthful writer of German economic literature spurred on the more intelligent in Italy to consult the leading German books, and to absorb their more notable discoveries. And it is from that epoch that we may date the new direction in Italian political economy, which ceased to draw inspiration from Paris or Philadelphia, and reached out freely to fresh and more varied currents of international thought. One year after the publication of Cusumano's book a Congress of economists met at Milan to protest against the optimistic and one-sided line taken by Ferrara. The tide turned in the direction of the writings of Cossa, Messedaglia, Luzzatti, Lampertico, and the whole Pleiad of thinkers who have introduced into Italy the kingdom of science, wherein is neither optimism nor partisanship, but only the serene quest of the True.

We shall not, therefore, be going astray when we affirm that the newer and severer tendency in Italian economics owes its origin and its first impulse to the book of the Palermitan youth, and that, because of this, his name remains inscribed in indelible characters in the history of the economic awakening of the Peninsula. It remains but to deplore the fact that Cusumano's brilliant opening in intellectual production had no sequel of equal worth, and that his scientific activity, after its first utterance, unexpectedly faltered and, in time, lapsed utterly.

It is true that his numerous works—on Diomede Carafa (1871), on political economy in the Middle Ages (1876), on the theories on wheat trade in Italy (1877), on Wesenbeek (1880), his fine but unfinished *History of the Sicilian Banks* (1887), and the

essay on the sale of the mint of Messina, published at the jubilee of his beloved master, Adolf Wagner (1905)—are praiseworthy studies in economic history, carried out with the strictest method. But not one of them is of the importance and intellectual value of that crusading work with which he leapt so brilliantly into the arena of modern thought. Was it domestic sorrows, or controversies, or public office which choked prematurely his so promising genius? I know not. But however we may judge in these matters, no one can ever overlook the eminent services rendered by Cusumano to Italian economics. In the war of scientific independence, through which we were freed from the tyranny of Ferrara and his school, he was certainly not the Garibaldi, nor even the Cialdini; but he was like Balilla, the Genoese youth who, by throwing a stone against the Austrians, set on foot the glorious liberation of the city. And on this account he well deserves a lofty and lasting place in the Pantheon of the intellectual resurrection of the Italian nation.

ACHILLE LORIA

CITY NOTES.

WE have received the following notes from "R. G." :—

Two and a Half Per Cent.—The great money crisis, which culminated at the end of last year, has already been succeeded by a period of excessive slackness and low rates for money. At the end of May the bank rate was reduced to $2\frac{1}{2}$ per cent., under circumstances indicating the probability before long of a 2 per cent. rate, characteristic of the period of slack water in business following a boom. The distressing feature of the position, as it always is at such a time, is the increase of strikes and lock-outs, and of unemployment generally. The great shipbuilding and engineering industries are disturbed to a larger extent than they have been for years; imports of raw materials, and exports of manufactured articles, are falling off; and the record of unemployment among trade unions shows a percentage of "unemployed" amounting to 7 per cent., as compared with 4 per cent. only a year ago. The real unemployed are, of course, less than is shown by these figures, which include "superannuated" as well; but there is no doubt of a large increase in the present year as compared with last. The markets for investments have, on the whole, improved along with the ease in the money market, cheap

money, as usual, being accompanied by high prices for investments; but it is significant of the languor which has resulted from the crisis, or from other causes, that the stock markets do not as yet improve rapidly, and are kept down from time to time apparently by the sale of blocks of securities which have been held back for liquidation at a suitable opportunity. This is also according to former experience, however, and the signs of the times are now such as to point to a general improvement in business, stock exchange as well as industrial, which low rates for money, and low prices all round, combine to favour. May no accident happen.

Consols.—It is noticeable, however, that gilt-edged securities, including Consols, are responding most slowly to the improved conditions. The City will have it that a high income tax and heavy death duties, with much talk in Parliament and elsewhere of yet higher taxes and duties on the "rich," are affecting the market of gilt-edged securities most unfavourably. A vague feeling of distrust disposes people to favour speculative stocks, rather than gilt-edged, as promising some large profit to compensate heavy taxation. Curiously enough, this feeling is being reinforced at the moment by sales of French Rentes in consequence of the application of an income tax in France to all holdings of rentes above fr. 625, or £25 per annum. In consequence of this measure, small, as well as large, holdings of Rentes are being sold. It will be interesting to observe whether the Socialist tendencies of modern legislatures, as exhibited in the favour shown to schemes of high taxation upon property, will end in checking production and accumulation, or in a reaction among property-owners and the "rich" against confiscation, which will have formidable political results.

The Licensing Bill.—A good deal less has been heard during the last few weeks than was the case at first as to the confiscatory nature of the Government's Licensing Bill, though the outcry was at one time very strong. Attention is being concentrated on the subject of taxation and confiscation generally rather than on the special Licensing Bill, which occupies a peculiar position, owing to the favour with which it is viewed by the temperance party, who cannot be accused of intentional confiscation. The fight between Socialists and anti-Socialists

will apparently be on such questions as taxation and old-age pensions rather than in connection with the licensing measure.

The Budget.—The City cannot be said to approve of the Budget, in spite of the strong financial position of the Government which it displays. The Government has been reducing debt at the rate of £15,000,000 per annum; after making provision for a further repayment of £12,000,000 or thereabouts in the current financial year, there is still a surplus of over £5,000,000 to dispose of, which enables them to reduce the sugar duty by $\frac{1}{4}$ d. per lb., and to provide £1,200,000 for a beginning of old-age pensions; no apprehension is felt or expressed as to the sufficiency of the means to meet an annual charge in future of £6,000,000 when the present scheme of old-age pensions of 5s. weekly to persons over seventy comes into operation. This is, of course, a brilliant showing in one way, and the Government are entitled to all the merit of the contrast which they draw between English free trade finance on one side, and the Protectionist finance of Germany on the other, with its accompaniment of annual borrowings of £15,000,000 to £20,000,000. The criticism is, nevertheless, made that the huge debt repayments, with such a system of taxation as we have got, are not good finance. Our excessive income tax and death duties really constitute a waste of our national reserves in time of peace, and the first financial remedy to be applied is the establishment of these taxes on a sound peace basis. Furthermore, debt repayments, with our taxes in disorder, do not lead to a corresponding improvement in the price of our own securities, but go to strengthen the international market for securities, so that the chief gainer may be a borrowing country, like Germany, which obtains its money at a cheaper rate in consequence! Above all, old-age pensions on a non-contributory basis are essentially mischievous, being simply a gigantic plan of outdoor relief, which has all the effects of the old Poor Law from which we were delivered with so much difficulty in the 'thirties. The City is thus full of distrust, and stands aloof from any action which would echo the satisfaction of the Government with their finance.

Broadening Taxation.—The official amendment to the Budget is on the ground that the Government finance in future involves an increase of taxation, and that this will be injurious to

national interests, unless the basis of taxation is broadened—by which is connoted, unless customs duties are increased in number. The opposition, however, fail to raise explicitly such points as the necessity of a lower rate of income tax and death duties in time of peace, and the expediency of diminishing the repayment of debt until the taxes themselves have been placed on a scientific basis. The Socialist is really being courted by both parties in the State.

R. G.

CURRENT TOPICS.

THE President of the Board of Agriculture stated on April 13th that the applications for land under the Small Holdings Act had up to that date amounted to a demand for over 210,000 acres. The figures must, of course, be read with a remembrance of the fact that a proportion, large or small, of the applicants will be found unsuitable.

THE Committee promised by the President of the Board of Trade has now been appointed to inquire into the "constitution, rules, administration, and financial position" of the super-annuation and similar funds of the railway companies. The Rt. Hon. R. K. Causton is the Chairman, and Mr. J. G. Bell, of the Railway Department of the Board of Trade, is the Secretary.

THE "Railway Nationalisation Society" is a new organisation, which promises to show considerable activity. In its preliminary statement it asserts that a saving amounting to 20 or 25 per cent. in working expenses might be effected under a complete system of unified management. Such a saving is calculated to represent some £15,000,000 to £20,000,000 on the present working expenses. But the promoters go on to argue that "unified management under private ownership would mean a vast private railway trust. It would place the trade of the country at the mercy of a single railway board. A private monopoly being a national danger, a public monopoly is the only alternative." In addition to employing the usual methods of propaganda, the Society proposes to conduct investigations abroad, and to arrange for international correspondents. Mr. Clement Edwards, M.P., is the Chairman of the Executive Committee, which includes Sir

John Gorst and Mr. G. J. Wardle, M.P., who is one of the representatives in the House of Commons of the Railway Servants' Union. On the other hand, Mr. Richard Bell, M.P., the leader of the men in the late railway crisis, is hostile to proposals for nationalisation. The offices of the Society are at 5 Duke Street, Adelphi, and its Secretary is Mr. F. W. Galton.

THE Social Democratic Party, the organisation which represents uncompromising socialism of the Marxian type, held its annual conference during the week beginning April 20th. Its main work was to affirm once again its detachment from the Labour Party in Parliament. Two resolutions were proposed, one proposing unconditional affiliation with the Labour Party, the other proposing affiliation "provided that Social Democratic Party candidates should run as Socialists." Both resolutions were lost by decisive majorities. Readers of this JOURNAL will be interested to observe that another resolution suggested that in future all candidates of the Party should be required to pass an examination in economics, conducted by the Executive Committee. The proposal was summarily rejected.

THE *Socialist Review*, of which the first number appeared last March, is issued under the auspices of the Independent Party. Its prospectus promises that, as the Socialist movement is international in its very essence, the *Review* will contain each month an article from one or other of the recognised leaders abroad. It will also include translations of the chief articles in foreign socialist journals. An article by Mr. Ramsay Macdonald defines the relation of the Labour Party to the group of Socialists who "have not accepted the evolutionary processes of social change," who "share a belief in sudden transformation with the Anarchist," and are "wandering upon the tempting but futile paths of revolution." But "no sudden change in the social mechanism in which the average man lives and moves and has his being can be permanent." There are some articles of which the tone is less moderate, on *The Unemployed Question*, by Philip Snowden, M.P., on *Karl Marx*, by E. Bernstein, and on *Henry George*, by J. C. Wedgwood, M.P.

THE new international review, *Rivista di Scienza*, is described by its editor as "born of the desire to co-ordinate the work carried

on in different fields of knowledge." The comprehensiveness of the design recalls the aspirations of the Greek philosophers. It was thus that in Plato's scheme of education an advanced class was to be formed for bringing the sciences together, and contemplating them in their mutual relations. Among the economic articles which have already appeared or are announced as about to appear in the *Rivista* are: *The English Classical School of Political Economy*, by Professor T. N. Carver; *Impartiality in History*, by Dr. W. Cunningham; *L'Ecole Économique Autrichienne*, by Prof. A. Landry; *Morfologia dei Prezzi*, by Prof. M. Pantaloni; *Des Resultats auxquels conduit l'Application des Mathématiques en Économie*, by Prof. V. Pareto. But economic science is only one element in a compound as diversified as Nature herself. Prof. Larmor writes on *The Function of Mechanical Models in Theoretical Physics*, Prof. Love on *Dynamics and Geology*, Prof. Bortkiewicz on *Die Statistischen Generalisationen*, a French professor on *La Parthenogénèse Experimentale*, an Italian zoologist on *La Morte*. Each author writes in his own language—at least, if it is one of the four best-known European languages. The editorial nerve-centre of this international organ is at Milan. The annual subscription is 20s. (net, post free). Articles contributed at the request of the editors will be paid for at the rate of 80 francs for each printer's sheet of sixteen pages.

THE birth of yet another review in this year prolific of periodicals has to be recorded. The *Revue d'Histoire des Doctrines Économiques et Sociales* (Paris) will trace the evolution of ideas in economics and the kindred sciences. The editors are Prof. A. Deschamp, of the University of Paris, and Prof. A. Dubois, of the University of Poitiers. The new review opens well with an article by Prof. S. Bauer on Quesnay's article, *Hommes*.

THE International Visits Association has been founded for the purpose of studying the customs and institutions of other countries. A stay of from ten days to a fortnight is made in the capital of the country, when a course of lectures is held on its most characteristic features, its history, government, institutions, and literature, by lecturers who themselves are either among the leaders of the different movements, or else as teachers and officials have practical acquaintance with the different systems and institutions. In connection with the lectures, visits are made to

the most characteristic institutions and places of interest in the capital and its neighbourhood. The International Visits Association is a development of the "Visits" to Denmark and Sweden, which we have noticed before. A visit to Norway is announced for this year. Among the subjects of lectures to be given at the University of Christiania are "Agriculture in Norway" (peasant proprietors, export of butter to England, &c.), "Municipal Organisation" (municipal socialism, feeding of school-children, &c.), "The Temperance Movement" (the Gothenburg system, local veto, &c.). Information concerning the visit may be had from the Hon. Secretary, Miss F. M. Butlin, Old Headington, Oxford.

AN International Free Trade Congress will be held at Caxton Hall, Westminster, London, August 4th, 5th, 6th, and 7th, 1908, under the auspices of the Cobden Club. Among the papers which have been promised are one on *The Revenue Aspects of Protective Duties*, by Prof. Bastable, and one on *The Present Utility of Commercial Treaties*, by M. Yves Guyot. There will be a morning and afternoon sitting each day, except the last. There will be a dinner at the Hotel Cecil on Friday, August 7th, at which the Prime Minister will be present.

THE British Association meets this year at Dublin between September 2nd and 9th. The officials of Section F are as follows: President, Mr. W. M. Acworth; Vice-Presidents, Prof. Ashley, Prof. Bastable, and Mr. H. Llewellyn Smith (Permanent Secretary of the Board of Trade); Secretaries, Prof. Chapman (Recorder), Mr. Meredith, Prof. Macgregor, and Mr. Adams (of the Department of Agriculture and Technical Instruction for Ireland). A sub-section for agricultural science has been organised under Sir Horace Plunkett as Chairman, with Major Craigie and Mr. David Houston and Prof. F. Keeble as Vice-Chairmen, and Mr. Hall (Recorder), Mr. Percival, Prof. J. H. Priestley, and Prof. Wilson as Secretaries. Mr. Acworth's address may be expected to deal with railway affairs. Papers will also be read on the same subject. The syllabus is not yet arranged, but some papers have already been settled, among the chief of which are two relating to finance, by Prof. Bastable and Dr. Cannan, a paper by Prof. Edgeworth on certain peculiarities of small taxes on exports and imports, and one by Mr. Macrosty (of the Census of Production) on "Proposals

for an Economic Survey of the United Kingdom." One day at least will be devoted to questions connected with Irish industry and commerce.

AN economic Congress, under the auspices of the Royal Economic Society, will be held in London on Thursday and Friday, October 1st and 2nd next. The subjects chosen for discussion are : 1. The Economics of Transportation. 2. The Poor Law. 3. Pure Economic Theory. The Council are issuing invitations to a number of distinguished foreign economists to be present, and the Congress will be made the occasion both for economic discussion and for social intercourse. A further announcement of the detailed arrangements will be sent to the Fellows of the Society.

WE have been asked to mention that there will be an election to the Minto Professorship of Economics at the University of Calcutta in the year 1909. The duties of the Professor of Economics will be : (a) To devote himself to the investigation of the science of economics and its application to Indian problems. (b) To deliver (not less than once a week during twelve weeks every year) a course of at least twelve lectures upon economics, with special reference to Indian problems, and embodying, as far as possible, the result of his own researches in the subject. (Such lectures, after delivery, shall be published by the University.) (c) To hold classes in economics not less than twice a week during at least twenty-five weeks every year, for the benefit of post-graduate students, and to promote research by them as far as practicable. (d) To prepare a work dealing with the application of the principles of political economy to Indian topics. (The limits of the subjects to be generally those indicated in the syllabus prescribed for the examination for the degree of Bachelor of Arts.) The Professor shall, in the first instance, be appointed for a term of five years, but upon the expiry of his term shall be eligible for reappointment. The salary of the Professor shall be Rs. 9,000 a year, to be paid in equal monthly instalments. Candidates for the Professorship shall submit their applications not later than December 1st, 1908. Every application shall be accompanied by : (a) A statement of the original work or investigation in economics which may have been done by the candidate. (b) Testimonials to indicate special fitness for appointment to the Professorship of Economics. (c) A syllabus of the courses of

lectures which the candidate would, if appointed to the Professorship, deliver during the first two years of the term of office.

A READER of the ECONOMIC JOURNAL writes to complain that our notice (in the March number of the JOURNAL) of a paper read by Prof. Nicholson was not accompanied by an adequate reference. We plead guilty; but we cannot altogether regret a mistake which requires us to recur to Prof. Nicholson's authoritative pronouncement on the value of mathematical ideas in economics. Following Cournot, he draws a lesson of caution, to which modern controversialists should give heed: "By making clear the nature and extent of the assumptions implied in dealing with economic problems, the mathematical economist invites the statesman to proceed with caution." The lecture in which these views are presented forms the greater part of No. 35, Vol. IV., Part I., of the *Transactions* of the Faculty of Actuaries; published by Messrs. Layton, London, 1907 (price 1s.).

RESPONDING to a vote of thanks for his lecture, Prof. Nicholson expressed the wish that provision should be made at the University of Edinburgh for teaching that branch of Economics which he had described, together with the kindred subject of statistics. This wish has been fulfilled, and a lectureship in statistics and mathematical economics has been instituted at the University of Edinburgh. The lecturer is Mr. George Carse, hitherto Lecturer in Natural Philosophy.

THE harmony between different economic methods of treating Political Economy was well shown by Mr. L. L. Price in the inaugural lecture which, as Lecturer in Economic History at the University of Oxford, he delivered last May. The lecture has been published by the Oxford University Press.

THE Professorship of Economics at the University of Leeds, which Mr. J. H. Clapham lately resigned, has been conferred on Mr. D. H. Macgregor, Fellow of Trinity College, Cambridge. He is the author of a book on *Industrial Combination*, reviewed in the ECONOMIC JOURNAL, 1907.

THE retirement of Prof. Alfred Marshall from the Chair of Political Economy at the University of Cambridge would be an

unmixed calamity but for the hope which it affords that the continuation of the *Principles of Economics* may be facilitated by the leisure which its author will now enjoy.

THE time is opportune for the execution of a wish formed by the friends and admirers of the retiring Professor, that, in the words of one of them, "an effort should be made to secure for the benefit of future generations some permanent record of the bodily presence of the *doyen* of English economists." To carry out the project thus indicated, an appeal for subscriptions was circulated by a committee consisting, among others, of members of the Council of the Royal Economic Society, and of the holders of Chairs of Economics in the different Universities of Great Britain and Ireland. The response to the Committee's appeal was adequate, and the portrait is being painted by Mr. William Rothenstein.

THE burden of the honour of succeeding Professor Marshall is borne by Mr. Arthur Cecil Pigou, Fellow of King's College, Cambridge. The new Professor has had practice in teaching as Jevons Memorial Lecturer at University College, London, and as Girdler's University Lecturer in Economics at Cambridge. He was placed in the First Class of the Historical Tripos in 1899, and in the following year in the First Class of the second part of the Moral Science Tripos. He is author of *The Riddle of the Tariff*, *The Principles and Methods of Industrial Peace*, *Protective and Preferential Import Duties*, books reviewed in the *ECONOMIC JOURNAL* in the years 1904, 1905, and 1907 respectively; also of several articles on questions of abstract theory in the *ECONOMIC JOURNAL*, and of less specialised contributions to more popular periodicals.

MR. H. B. LEES SMITH, Professor of Public Administration and Economics at University College, Bristol, Director of Studies and Chairman of the Executive Committee at Ruskin College, Oxford, has been appointed Assistant Editor of the *ECONOMIC JOURNAL*.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

The Remuneration of Women's Work. W. HAMILTON FYFE. *The Factories of Osaka.* REV. J. CARTER. The conditions of labour in Japan are described as very grievous. *Firstfruits of Co-operation in India.* H. W. WOLFF. *The Oxford Sanitary Aid Association.* M. H. PRICHARD and L. FISHER. The Association comprises three committees, of which one reports on the condition of houses; one collects rents in the sympathetic spirit of Miss Octavia Hill; one organises lectures on laws of health and a system of "infant visiting," which seems to have lowered the infantile death-rate in Oxford.

Girl Life in a Slum. MAY CRASKE. *The Church and the Labour Party.* WILLIAM TEMPLE.

Journal of the Royal Statistical Society.

MARCH, 1908. *Some Unconsidered Factors affecting the Birth-rate.* R. DUDFIELD. The excess of the number of married women over the number of married men is taken account of in a determination of the decline of the birth-rate.

A Method of Estimating Capital Wealth from the Estate Duty Statistics. B. MALLET. To estimate the amount of property in living hands from the estate duty statistics the "multiplier" 24 should be used; for the number of properties, the multiplier 37. Received investigations are inaccurate through neglect of the movement of property. *Railways and the Trade of Great Britain.* C. L. EDWARDS.

The Nineteenth Century.

MARCH, 1908. *The Impotence of Socialism: A Reply.* J. RAMSAY MACDONALD, M.P. Referring contemptuously to Mr. Hoare's article in the February number, the writer dwells on some features of modern Socialism—the national organisation of industry, including railways, by which production would be improved, and the improvement of distribution by taxation of unearned increment.

APRIL. *The Impotence of Socialism: A Rejoinder.* H. W. HOARE.

The Contemporary Review.

MARCH, 1908. *Arbitration Courts and Wages Boards in Australasia.* J. RAMSAY MACDONALD, M.P. The Judge in an Arbitration Court has the impossible task of settling hours, pay, conditions of labour, and whether the price of imported articles is fair.

His decisions cannot practically be enforced against masses of workpeople. Wages Boards, instituted to put an end to sweating, have extended to unsweated trades, 49 in all. "The more sweated the trade, the less has been the increase in its wages." The Australian system of regulating wages leads to regulation of prices: "Protection, Wages Boards, Price Boards—more Protection, more Wages Boards, more Price Boards—round and round and round."

APRIL. *Unemployment and its Cure*. W. H. BEVERIDGE. Labour exchanges are advocated.

The Fortnightly Review.

MARCH, 1908. *A Challenge to Socialism*. DR. B. CROZIER.

Quarterly Journal of Economics (Boston).

FEBRUARY, 1908. *Professor Clark's Economics*. T. VEBLEN. *The Taxation of Intangible Wealth in Maryland*. J. H. HOLLANDER. *Machinery and the Labourers*. T. N. CARVER. Machinery has been more to the advantage of the capitalist than the labouring class. If the latter have gained absolutely, they have lost in relative income. *Per contra*, their work is lighter and more human. *The Street Railways of Philadelphia*. F. D. McLAIN. *The Cost and the Profits of Steel-making in the United States*. J. RUSSELL SMITH. *The Quantity Theory as Tested by Kemmerer*. W. W. PERSONS. Referring to Dr. Kemmerer's article in the *Journal of Political Economy* for November, 1907. *Hoarding in the Panic of 1907*. A. P. ANDREW. By accumulating abnormal reserves banks contributed seriously to the collapse of credit.

Political Science Quarterly (New York).

MARCH, 1908. *The Labour War in Colorado*. CHARLES E. STANGELAND. Two unsuccessful struggles of the miners for an eight-hour day are among the incidents of this momentous war. *The Oil Trust and the Government*. FRANCIS WALKER. The proceedings of the Bureau of Corporations are described. *Fisher's Capital and Income*. THORNSTEIN VELSEN.

The Yale Review (Newhaven).

Some Lessons of the Panic. H. C. EMERY. *The Judicial Determination of Railway Passenger Rates*. M. H. ROBINSON. *A Statistical Study of the Yale Graduates, 1701-92*. W. B. BAILEY.

American Academy of Social Science (Philadelphia).

MARCH, 1908. This number is devoted to lessons of the financial crisis.

Journal des Économistes (Paris).

FEBRUARY. *Un Tarif de Guerre*. YVES GUYOT. *La méthode objective en Économie Politique*. M. BELLOM. *Von Thünen's method as interpreted by Dr. Ehrenberg in the Thünen Archives*. *La réforme foncière*. J. C. HENNICET.

MARCH. *La loi de la vie, l'abondance ou la disette*. F. PASSY. *La décadence de l'Apprentissage . . . à Paris*. E. LETOURNEUR.

- APRIL. *La situation vraie des Finances Communales.* L. DE GOY.
Du repos hebdomadaire au Salaire minimum. D. BELLET.

Revue d'Économie Politique (Paris).

- MARCH, 1908. *La crise viticole en Portugal.* DOM LUIZ DE CASTRO.
L'Économie Politique et la Statistique au Congrès de Parme.
 U. RICCI. H. Hayem, A forgotten Professor of Political Economy, who flourished in the year X. of the first French Republic, is studied.
- APRIL. *Le problème du Profit.* A. LANDRY. *Les conséquences financières du rachat des chemins de l'Ouest.* P. REBOUD.
- MAY. *Coup d'œil sur le mouvement législatif à l'étranger.* E. VILLEY. *Les formes et interprétations juridiques du communisme municipal.* A. MATER. *Le Syndicalisme en Allemagne.* E. SCHWIEDLAND. *Le bilan financier des Grèves et leur influence sur les salaires.* CH. PICQUENARD.

L'Économiste Français.

- MARCH 7TH and 14TH. M. Leroy Beaulieu denounces the project of *retraites ouvrières* with *pension de retraite* of 360 francs per annum, and recommends the Belgian system of insurance.
- APRIL 11. The article on jute, by M. E. PAYEN, is one of an interesting class, each dealing with the production, employment, and price of a particular commodity, e.g., copper and lead (April 18th), zinc and other metals (April 25th), caoutchouc (May 16th), asbestos (May 30th). That the principal supply of raw jute comes directly or ultimately from British India is a matter of concern to the European manufacturer, especially now that the manufacture of jute in Bengal is increasing so rapidly. The value of jute manufactures exported from India in 1906 was 8½ million sterling, while the value of the raw material exported was 11½ million. Could not the supply from Indo-China be increased?

Revue du Christianisme Social (Paris).

- MARCH, 1908. *Malthus et sa doctrine.* CHARLES GIDE. The doctrine of Malthus was very different from, though it prepared the way for, modern neo-Malthusianism. "Malthus shows us man placed at a parting of the ways, where three roads diverge: the signpost in front pointing to *Misery*, that on the right to *Virtue*, that on the left to *Vice*; and adjures him to escape by one of the side roads, preferably the one on the right. But he fears that only a few will choose the narrow way of salvation. Yet he is unwilling to admit that all the rest will take the road of vice; so ultimately he apprehends that the majority will follow their natural propensity and go down the precipice."

Jahrbücher für Nationalökonomie (Jena).

- FEBRUARY, 1908. *Verbrauch und Verbrauchsbelastung kleiner und mittlerer Einkommen.* W. GERLOPP. *Betriebskonzentration und Kleinbetrieb in der Englischen Industrie.* G. BRODNITZ. *Zur Statistik der Fruchtbarkeit.* R. KUCZYNSKI.

MARCH. *Die deutsche Handelstatistik.* F. W. ZIMMERMAN. *Kapitalzins.* O. CONRAD. The theory of interest is discussed; views of Marshall, Böhm-Bawerk and Philippovich being adduced.

APRIL. *Die deutsche Handelstatistik.* F. W. ZIMMERMANN. *Die Treuhand-Gesellschaften.* O. WARSCHAUER.

Giornale degli Economisti (Rome).

MARCH. *La regolarità dei fenomeni rari.* C. GINI. A criticism of Professor Bortkiewicz's law of small numbers. *Il costo di produzione del grano in Italia.* F. VIRGILII. *Questioni economiche della Calabria.* L. A. CAPUTO. The influence of emigration on customs is the subject of this chapter of a paper continued from the December number. *Un trattato italiano di Economia Politica.* F. NATOLI. Referring to Prof. A. Graziani's *Istituzioni di Economia Politica.*

APRIL. *Su taluni congegni della burocrazia.* V. TANGORRA. *Il costo di produzione del grano in Italia.* F. VIRGILII. *A proposito della legge dei piccoli numeri.* C. BREXIANI. A vindication of Prof. Bortkiewicz's law.

La Riforma Sociale (Turin).

MARCH-APRIL. *Amenità Nazionalizzatria in Inghilterra.* G. PRATO. The Socialist tendencies of modern England are exposed. The *Riforma*, in its fifteenth year, enters on a new series under the editorial direction of Professor Einaudi and Dr. G. Prato. It will appear every two months, in general, and unless some topic of special interest calls for a monthly issue.

NEW BOOKS.

ALDEN (MARGARET). *Child Life and Labour.* London: Headley. 1908. Pp. 192. 1s. 6d.
[Social Science Ser.]

BARKER (J. ELLIS). *British Socialism. An Examination of its Doctrines, Policy, Aims, and Practical Proposals.* London: Smith, Elder. 1908. Pp. 528. 10s. 6d.

BOWLEY (A. L.) *Elements of Statistics.* 3rd edition. London: P. S. King. 1908. Pp. 348. 10s. 6d.
[A new edition of this well-known work.]

CADBURY (GEORGE, Junior) and BRYAN (TOM). *The Land and the Landless.* (Social Service Handbooks, No. 3.) London: Headley. 1s. 6d.

CARPENTER (EDWARD) and Others. *Socialism and Agriculture.* London: Fifeild. 1908. 12mo. 1s.

CHAPMAN (S. J.) *Work and Wages: II. Wages and Employment.* London: Longmans, Green, 1908.

[In continuation of Lord Brassey's *Work and Wages and Foreign Work and English Wages.* Highly valuable for the student of the labour problem. Reviewed in this number.]

CLARKE (SIDNEY W.). *The Law of Small Holdings in England and Wales.* London: Butterworth. 5s. net.

COLLINGS (RIGHT HON. JESSE, M.P.). *Land Reform*. London: Longmans. 1908. 2s. 6d.

[A new and popular edition.]

CREIGHTON (LOUISE). *The Economics of the Household*. Six Lectures given at the London School of Economics. London: Longmans, Green & Co. Pp. 116.

CROTCH (W. WALTER). *The Cottage Homes of England*. Industrial Publishing Co. 1s.

DAVIES (A. E.). *The Nationalisation of Railways*. London: Black. 1s. net.

DODDS (E.). *The Records of the Gateshead Company of Drapers, Tailors, Mercers, Hardwaremen, Coopers, and Chandlers*. Newcastle: M. S. Dodds. 1907. 3s.

GASQUET (F. A.). *The Black Death of 1348 and 1349*. 2nd edition. London: Bell. 1908. Pp. 298. 6s.

HOLMES (T.). *London Home Industries and the Sweating of Women*. Reprinted from the *Church Quarterly Review*, April, 1907.

JOHNSTON (JOHN, M.D.). *Wastage of Child Life*. As Exemplified by Conditions in Lancashire. Manchester: Heywood. 6d. net.

KELTIE (J. SCOTT). *The Statesman's Year-book for 1908*. London: Macmillan. Pp. 1,712.

[The forty-fifth number of this useful annual sustains the high reputation won by its predecessors.]

KENNEDY (Bart.). *The Hunger Line*. London: Werner Laurie. 1s. net.

KNOOP (D.). *Industrial Conciliation and Arbitration*. London: P. S. King. 1907. Pp. 266. 3s. 6d.

LEWIS (G. R.). *The Stannaries. A Study of the English Tin Miners*. London: Constable. 6s. net.

MALLOCK (W. H.). *A critical examination of Socialism*. London: J. Murray, 1908. Pp. 302.

McCONNELL (PRIMROSE, B.Sc.). *The Diary of a Working Farmer*. Cable Publishing Co. 2s. net.

MINTON (FRANCES). *The Evil of the Millionaire*. London: Sonnenschein. 3s. 6d. net.

MORSE (HUSEA BALLOU). *The Trade and Administration of the Chinese Empire*. London: Longmans. 7s. 6d. net.

[Reviewed in this number.]

NETTLEFOLD (J. S.). *Practical Housing*. Letchworth: Garden City Press.

PATERSON (ARTHUR). *Administration of Charity*. Reprinted from *The Times*. London: The City Council for Organisation of Charity. 1s.

PEASE (SIR ALFRED E., ed.). *Edward Pease, the Father of English Railways: Diaries*. London: Headley. 1907. Pp. 408. 7s. 6d.

REA (RUSSELL, M.P.). *Insular Free Trade*. London: The Cobden Club.

SELLERS (EDITH). *Foreign Solutions of Poor Law Problems*. London: H. Marshall. 1908. Pp. 192. 2s. 6d.

STOKES (R. S. G.). *Mines and Minerals of the British Empire*. London: Arnold. 15s. net.

TURNER (S. H.). *The History of Local Taxation in Scotland*. London: Blackwood. 5s. net.

URWICK (E. J.). *Luxury and Waste of Life*. London: Dent.

VILLIERS (BROUGHAM). *The Socialist Movement in England*. London: Unwin. 1908. Pp. 354. 10s. 6d.

WARREN (HENRY). *Banks and their Customers*. 8th edition. London: R. Sutton. 1s. net.

WEBB (M. DE P., C.I.E.). *India and the Empire. A Consideration of the Tariff Problem*. London: Longmans. 3s. 6d. net.

WEBB (SIDNEY) and Others. *The Basis and Policy of Socialism*. London: Fiffeld. 1908. 12mo. 1s.

———. *Socialism and Individualism*. London: Fiffeld. 1908. 12mo. 1s.

WELLS (H. G.). *New Worlds for Old*. London. Constable. 6s.

WHITEHOUSE (J. H.) and MALCOLMSON (N.). *Report of an Inquiry into Working Boys' Homes in London*. London: Fairbairns. 1s. net.

The Case against Socialism. A Handbook for Speakers and Candidates. With a Prefatory Letter by the Right Hon. A. J. Balfour. London: Allen. 5s. net.

American Economic Association: *Papers and Discussions of the Twentieth Annual Meeting*. Princeton: Amer. Econ. Assocn., 1908. Pp. 312.

[There are recorded here "round table" debates on *Agricultural Economics*, *The Basis of Reasonable Railway Rates*, and other subjects; in which Professor T. N. Carver, Professor J. H. Hollander, and other eminent authors and experts took part. The Principles of Government Control of Business was the subject of Professor J. W. Jenks' presidential address.]

American Political Science Association: *Proceedings at Fourth Annual Meeting*. Baltimore: Waverley Press. 1908. Pp. 335.

ANDREWS (PROF. CHARLES M.). *British Committees, Commissions, and Councils of Trade and Plantations, 1622-75*. Baltimore: Johns Hopkins Press. 1908. Pp. 151.

DAVENPORT (H. J.). *Value and Distribution: A Critical and Constructive Study*. Univ. of Chicago Press. 1908. Pp. 582.

HUNTER (ROBERT). *Socialists at Work*. New York: Macmillan Co. 1908. Pp. 363.

[An account of socialism and socialists as seen by the author in Germany, Italy, France, England, Belgium; with portraits of leading socialists.]

LIEBKNECHT (W.). *Karl Marx. Biographical Memoirs*. Chicago: Charles H. Kerr Co. 1908. Pp. 181.

MILLER (PROF. ELMER I.). *The Legislature of the Province of Virginia. (Columbia University Studies.)* New York: University Press. 1907. Pp. 182.

MITCHELL (W. C.). *Gold, Prices, and Wages under the Greenback Standard*. Berkeley: University of California. 1908. Pp. 682. \$5.

THE NATIONAL TAX ASSOCIATION. *State and Local Taxation: First National Conference: Addresses and Proceedings*. New York: Macmillan Co. 1908. P. 675. \$4.

[A valuable collection.]

SEAGER (PROF. H. R.). *Economics*. New York: Columbus University Press, 1908. Pp. 27.

[One of a series of lectures on the Sciences.]

Taxation and Revenue: Report of the Advisory Committee. Baltimore. 1908. Pp. 152.

[The Committee of which Prof. J. H. Hollander was chairman deals with some topics of general interest such as liquor licence taxation. There is recommended "a systematic revision of the taxable property of the city so that at least once in five years every piece of real estate should be revised to its actual market value."]

VAN VORST (Mrs. J.). *The Cry of the Children*. New York: Moffat Yard & Co. 1908. \$1.25.

[A study of child labour in Alabama, Georgia, and various Northern States. With an introduction by Senator A. J. Beveridge.]

UNDERWOOD (PROF. J. HARDING). *The Distribution of Ownership*. (Columbia University Studies.) New York: University Press. 1907. Pp. 219.

WEST (MAX). *The Inheritance Tax*. (Columbia University Studies.) New York: University Press. 1908. Pp. 249.

L'Année Sociale et Économique, 1907. Par Paul Pesch. Rivière. 50c.

[A Year-book giving a series of important documents referring to (1) le mouvement social; (2) l'économie sociale et ouvrière; l'économie financière; (4) l'économie commerciale et industrielle.]

DECHESNE (PROF. LAURENT). *L'avènement du régime syndical à Verviers*. Paris: Larose. 1908. Pp. 527.

[An important subject and author.]

DECHESNE (PROF. LAURENT). *La Panique Financière aux États-Unis*. Paris: Larose, 1908. Pp. 18.

LANDRY (ADOLPHE). *Manuel d'Économie*. Paris: Giard, 1908. Pp. 889.

FONTANA-RUSSO (PROF. L.). *Traité de Politique Commerciale*. (Traduit par Félix Poli.) Paris: Giard, 1908. Pp. 707.

[A translation of the Italian work reviewed in the *ECONOMIC JOURNAL*, vol. XVII.]

CUHEL (DR. FRANZ). *Zur Lehre von den Bedürfnissen*. Innsbrück, 1907.

[Reviewed in present number.]

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[The demography of past generations.]

THE ECONOMIC JOURNAL

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THE AMERICAN CRISIS OF 1907.

THE economic revulsion in the United States is still too recent to allow an exact determination of its consequences, and for that reason, its underlying causes cannot be thoroughly analysed at the present time. The crisis and panic which appeared during an early stage of the reaction may be taken, however, as a sufficiently distinct problem for separate examination, which can be studied with a reasonable measure of completeness from the material already at hand. At the outset it will be of advantage to make a more definite distinction than has been customary between fluctuations in business activity and the crises and panics which have frequently accompanied the transition from prosperity to depression. During the eighteenth and the greater part of the last century it would be difficult to find an instance of a period of decided trade reaction which began without sudden and violent disturbance, but in some countries, notably in France and Great Britain, recessions in business activity during the last forty years have come about with a noteworthy diminution of strain, sudden collapse, and general destruction of credit, even the crisis of 1890 being, properly speaking, a crisis averted. In the United States, on the other hand, crises have been no less frequent, and there has been no alleviation in their sudden and disastrous consequences. Crises are commonly ascribed to unsound conditions which have developed during years of business activity, but this is more properly an explanation of fluctuations in trade, unless we assume that crises occur when conditions are extremely unsound, and that with only moderately unsatisfactory conditions depression may come without sudden disturbance. In accord with this view many writers have called attention to the highly speculative character of business in new

and rapidly advancing countries like the United States, and have considered it the fundamental cause of the frequency and severity of crises in that country.

It may, however, be questioned whether, in the study of crises, the central point of departure should be the analysis of general economic conditions. The banks are the storm centre in all crises, the chief symptoms of which are the destruction of confidence and sudden liquidation upon a large scale. As business is at present organised, the extent and, what is of vastly greater importance, the rapidity of liquidation is largely determined by the condition of the banks and by the policy which they are able to adopt. It may happen that general conditions have become so unsound that the banks, through the deterioration in the average quality of their assets, become little more than passive sufferers in the general catastrophe, and the American crisis of 1893 may perhaps be looked upon as of this nature. Confidence in the stability of the currency had been weakened by silver legislation. Agricultural prices had fallen to unremunerative levels owing to the increase in production consequent upon the rapid settlement of the public lands in the Western States, while farmers were heavily burdened with mortgage indebtedness. The railways had been extended beyond the requirements of existing traffic, and were burdened with bonded obligations and guarantees of dividends of smaller roads which had been absorbed after for speculative financial purposes. Finally the manufacturing industries of the country had been unhealthfully stimulated by an additional dose of protection in 1890, which led to ill-judged investments of capital and over-production in those industries which had been most favoured. It is therefore reasonably certain that the crisis of 1893 could not have been averted. But there are few crises which can be ascribed to an equal number of unfavourable influences, and, in any case, it is of primary importance to determine, from investigation of the banking features of a crisis, whether sudden liquidation and loss of confidence might not have been at least in part prevented.

The crisis of 1907 is particularly worthy of study in this connection, because there is reason to believe that it might have been confined within narrow limits, even if it could not have been entirely averted. Nothing in the general economic condition of the country has been disclosed, either during the crisis or in the subsequent months of depression, which can be regarded as so hopelessly unsound as to have rendered the explosion of

last autumn clearly unavoidable. The number of business failures was comparatively small, notwithstanding the strain to which the banking troubles subjected all branches of industry, nor were there many bank failures which may be accounted for by the impairment of loans from general causes. Some of the unfavourable influences potent in previous American crises were conspicuously absent, and this was most strikingly the case in agriculture. The preceding ten years of high agricultural prices had enabled farmers to free themselves from debt to an extent unknown since the beginning of settlement in the Mississippi valley. The harvests of the staple crops in 1907 were from 10 to 20 per cent. less than in the previous year, but as somewhat higher prices were being secured, the return to the cultivation promised to be greater than ever before. It is therefore not surprising that bank failures in purely agricultural sections of the country, numerous in former crises, were entirely absent during the recent disturbance. The railways were also in a satisfactory position compared with previous periods, and for some years had experienced great difficulty in handling their rapidly expanding traffic, though their facilities were being constantly increased. In the general commodity markets there was no pronounced accumulation of unsold goods, except in the case of coffee, the demand for which had fallen off on account of an attempt to hold the price at an exorbitant level. For other commodities the existing means of production were apparently not beyond the prevailing rate of consumption at current prices. Indeed, it would be difficult to find an equally long period of business activity at the close of which the relative development of different industries would seem to have been similarly satisfactory.

Turning now to indications of a less satisfactory nature, it should be observed that the more important disturbing factors were not peculiar to the United States. Everywhere the difficulty experienced in securing additional capital gave clear indication that the advance of the previous years, even if continued at all, was to be at a less rapid pace. New issues of the highest grades of bonds were being marketed with increasing difficulty and upon more burdensome terms to borrowers, while higher average discount rates in the money markets of the world reflected the growing strain upon floating capital. Extravagant consumption retarded accumulation, while the demand of industry and governments for capital was unabated. The inability to secure supplies of capital is not necessarily the cause of

serious disturbance. It may have serious effects, if it prevents the completion of work already under way, as in 1857, when the construction of many American railways suddenly stopped, because further capital could not be obtained. The recent inability to secure capital, however, has been almost entirely a check upon projected improvements, and has not made previous investments unproductive.¹ The floating indebtedness of many manufacturing and trading firms was also large, but there were so few suspensions or failures from that cause during the crisis that it cannot be said to have been more than a secondary influence.

During March and August, 1907, very general and considerable decline took place in the prices of stock exchange securities, which, whatever the causes, by checking speculation and reducing the collateral loans of the banks, diminished the strain upon credit, and placed the banks in a better position to meet later emergencies. Fundamental conditions would ultimately have brought about a fall in the value of securities, but it may be questioned whether it would have been so extreme on that amount alone prior to the crisis, since stock markets are notoriously blind to the significance of anything beyond those influences which cause temporary fluctuations. The activities of the national and State Governments having the object of controlling railway and other corporations was certainly an influence which was largely responsible for the successive declines in the value of securities. Whatever opinion may be held as to the wisdom with which this movement has been conducted, it cannot be doubted that, in so far as it tended to prevent speculation, the country was in a better position to withstand the crisis of last autumn. Contrasted with the previous year, the financial position was vastly more satisfactory. In 1906 a speculative movement in stocks, of large proportions, had been continued into the autumn months, and was only checked by the intervention of the Bank of England, which discountenanced the enormous advance by London banks which had made it possible. Had a crisis broken out in that year, assistance from Europe could not have been secured. Moreover, there was a striking absence of new issues on securities on account of railway amalgamations and industrial combinations, which in previous years underwriting syndicates were holding for sale by means of loans

¹ The large railway borrowings upon short term obligations during the two years before the crisis might have occasioned serious trouble if the crises had come somewhat later.

in Europe as well as in New York. For these reasons it is probable that the New York market was more independent of temporary foreign indebtedness at the beginning of last autumn than at the same time in any of the previous eight years. In financial circles the view has been expressed that the crisis was largely the result of Government interference with economic activities. The validity of this opinion can be more properly estimated after we have followed the course of the crisis, but it may be stated without qualification that in some important respects Government economic activity had indirectly tended to remove certain elements of weakness in the general situation.

The initial episode of the crisis on October 16th was, as has often happened in previous crises, insignificant enough. An unsuccessful attempt to corner the stock of a copper company of secondary importance involved the failure of certain brokerage firms, including that of the brother of Mr. F. A. Heinze, who at the beginning of the year had become president of the Mercantile National Bank upon securing a majority of its stock. Mr. Heinze had acquired a large fortune from highly speculative operations in Montana copper properties, and distrust of his methods led many depositors to withdraw their accounts from the bank after the change of management. The resources of the bank seem to have been used to an increasing extent in the furtherance of copper enterprises and speculation, and the failure of the copper corner brought matters to a head. The bank was unable to meet an unfavourable balance at the clearing house which assumed large proportions because alarmed depositors were shifting their accounts to other banks. The request for assistance from the clearing house was granted after an examination to determine the solvency of the bank, and upon condition that the president and entire board of directors should resign. On October 21st the bank began business under a new management, and thereafter ceased to be a disturbing factor in the situation, though, it may be added, in January it was deemed advisable to close the bank for liquidation. While the reorganisation of the Mercantile Bank was being carried out, the clearing house was given an opportunity to intervene in the affairs of certain other banks whose management had long been regarded with distrust. One of the directors of the Mercantile Bank was Mr. C. F. Morse, whose activities in the industrial and banking world had been of an extreme character, even when judged by American standards. He first became prominent as the promoter of the American Ice Company, an enterprise disastrous

to its shareholders, and in recent years he had been chiefly engaged in the formation of a combination of shipping companies engaged in the Atlantic coasting trade. For a number of years he had been one of the largest owners of shares in New York banks, but, it is important to observe, only in banks of moderate size. He was a director in seven banks, over three of which he seems to have had complete control. In securing this chain of banks, the shares of one bank were used as a security for loans with which to purchase shares in another bank and so on in succession, while at the same time the various banks were efficient instruments for the furtherance of other enterprises. Mr. Morse had long been regarded with distrust in banking circles, and a clearing-house investigation of his methods had been made as early as 1902, but it led to no definite action. His connection with the Mercantile Bank seems to have frightened depositors in his other banks, and two of them were obliged to appeal to the clearing house for aid on October 19th. Assistance was granted upon condition that Mr. Morse and certain other persons associated with him should retire altogether from banking in New York. Various clearing-house banks subscribed to a fund of \$10,000,000 to be used if necessary, and on Monday, October 21st, it may be said that the clearing house had completed the work of putting its affairs in order. The total deposits of these banks were only \$30,000,000, and therefore it was not a very difficult matter to give them the necessary assistance, but their difficulties gave rise to a vague feeling of distrust, which assumed dangerous proportions when it became known that certain banking institutions outside the clearing house were also in need of assistance.

The narrative of the crisis may with advantage be interrupted at this point to call attention to the significance of this Heinze-Morse episode as an example of a deep-seated cause of weakness in the American financial world. National banks are not permitted to open branch offices, and most of the States have enacted similar legislation. Consequently, banks are numerous, nearly sixteen thousand, if savings banks are included, and generally of small size. They are not large enough to be the principal business interest of those who own and control them. Upon the whole, the system has not worked badly, since the directorate has commonly included successful men from various occupations, but danger arises when, by securing possession of a majority of its shares, an individual or

group of closely associated individuals gain control of a bank for the purpose of furthering their own private undertakings. Unfortunately, there seems to have been a distinct tendency in this direction in recent years, and there is an almost entire lack of definite public opinion opposed to the practice. American good-natured optimism extends even to financial matters, regarding which there is a painful absence of thorough unflinching criticism in any financial journal. The weak and ineffective American attitude is well illustrated by the following comment by an influential New York journal upon the particular case of the Morse banks: "A few capitalists of no great standing, actively engaged in speculative industrial schemes of their own, were gaining control of a group of banks through mere stock ownership on a margin. . . . The possibility of danger had been known for six years past. If it be asked why no one interfered, the answer is that no one outside of the banking department had the right to examine the accounts of these banks and challenge the manner of control; second, that the very hazards involved in existing conditions rendered open accusation extremely perilous." ¹

Surely a money market in which urgently needed remedies are thus dreaded can hardly escape an occasional upheaval! A healthy tradition should be cultivated, which would lead depositors to desert a bank known to be controlled by one man, or closely identified with a single industry. Even when honestly managed, there is the obvious danger which arises from the lack of a wide distribution of risks.

Returning to the narrative of events in New York, it is to be noted that there had been nothing in the nature of a crisis during the week the clearing house was putting its affairs in order. Crisis conditions developed during the following week, and were occasioned by the difficulties of certain trust companies, a group of financial institutions outside the clearing house. Trust companies were originally formed, as the name implies, to act as trustees, and, until about twenty years ago, had confined themselves closely to business of that nature. For the effective performance of their functions, they were necessarily given wide powers, and gradually it came to be perceived that they could engage in banking, unfettered by the restrictions imposed upon both national and State banks. Thereafter the number of companies increased rapidly in most American cities, but especially

¹ *The Nation*, Oct. 24, 1907.

in New York, where, in recent years, their deposits have been not much less than those of the clearing-house banks.¹ Relations between the banks and the trust companies had been somewhat strained for a number of years. The banks complained of the unfairness of competition with institutions which were not required to hold a large cash reserve, and in 1903 the clearing house adopted a rule which required all trust companies, clearing through members of the association, to accumulate a reserve which, though smaller than that of the banks, was considerably larger than was held by most of the trust companies. Rather than submit to this condition, most of the trust companies gave up clearing-house privileges, the most important exception, curiously enough, being the Knickerbocker Trust Company, the troubles of which began the second stage of the crisis.

The Knickerbocker Trust Company was the third largest trust company in New York, having deposits of \$62,000,000. The association of its president with some of the Morse enterprises engendered distrust, which made itself felt in a succession of unfavourable clearing balances. On Monday, October 21st, the National Bank of Commerce announced that it would discontinue clearing for the company on the following day. A committee representing other trust companies examined its affairs, without taking definite action, but a reassuring statement was issued by the Knickerbocker directors, in which the resignation of its president was announced. On Tuesday, after a run of three hours, during which \$8,000,000 were paid out, the company was found to suspend. Whether the company could not have been assisted is not clear, but that, if possible, it would have been of advantage to the banks and other trust companies is certain. The size of the company alone rendered assistance an undertaking of no little difficulty. The condition of its assets at the time has not been disclosed, but that it could not have been hopelessly unsatisfactory is indicated by the reopening of the company in March under a plan of reorganisation adopted in the interests of its depositors and shareholders. The plan of reorganisation adopted, however, showed that the assets of the company were even then far from being in a liquid condition, and, in the absence of any association among the trust com-

¹ Some trust companies have remained true to their original purpose, and trust funds and other more or less inactive deposits make up a considerable proportion of the deposits of nearly all of the companies. It is reasonably certain, however, that their banking deposits are at least equal to half those of the clearing-house banks.

panies, or of responsibility on the part of the clearing-house banks, the suspension of the company was unavoidable.

Equally favourable judgment cannot be passed upon the means which were adopted at the next stage of the crisis. On Wednesday, October 23rd, a run began upon the Trust Company of North America, the second of the trust companies in size, having deposits of \$64,000,000. The president of the Knickerbocker was one of its directors, but the unfortunate disclosure that its affairs had been the subject of a conference on Tuesday was the chief influence in precipitating a panic among its depositors. The company withstood a run which continued for two weeks, during which it paid out some \$34,000,000, on Wednesday and Thursday paying \$12,000,000 and \$9,000,000. During those two days New York was threatened with a general panic. A number of other trust companies experienced runs of varying degrees of severity. A few small mismanaged banks in the outskirts of the city were found to suspend, loans could only be secured with extreme difficulty, and the fall in Stock Exchange prices was alarmingly violent. The Trust Company of North America was assisted, since its assets were apparently in a more satisfactory condition than those of the Knickerbocker, and even more because it was clear that the foundations of the entire credit system were endangered. The steps taken, however, were slow, and the means adopted were not sufficiently clear in import to renew general confidence. A committee of six trust company presidents was formed to receive applications for assistance, make examinations, and report to meetings of all trust company presidents. Money was provided in large amounts, but confidence was not restored until on November 6th announcement was made that a majority of the shares of the Trust Company of North America and of another trust company had been placed under the control of a committee of trust company presidents, and that the "necessary financial arrangements had been made to enable both companies to proceed with their business." The inference cannot be escaped that the New York money market is not adequately organised to cope quickly and effectively with an emergency.

During the three days of heavy runs upon the trust companies, the strain upon the clearing-house banks was very severe. They had to furnish most of the money required by the trust companies, whose reserves were deposited with them, and at the same time they were shipping money to the interior for crop moving purposes, and they also suffered some loss in payments

to their own frightened depositors. On the other hand, they were strengthened by the receipt of \$25,000,000 of Government deposits, with the result that the loss of cash for the week ending October 26th was only \$13,000,000. The reserve was \$254,000,000. These figures are taken from the bank statement, which shows average conditions for the week. Doubtless the actual loss was somewhat greater, but certainly the loss in reserve was not large after so eventful a week.

At the close of the week there were many indications that the worst of the panic was past. Withdrawals of deposits were diminishing, the savings banks were exercising their right to require sixty days' notice from depositors, and the trust companies had agreed to pay depositors, so far as possible, in certified cheques upon clearing-house banks. As a further measure of relief, it was decided to issue clearing-house loan certificates, a device the import of which is often misunderstood. It is not, as it is sometimes described, a partial suspension of specie payments in a disguised form. In ordinary times, clearing balances between banks are settled evenly by the payment of money. The clearing-house loan certificate makes it possible for a bank to pay in another way, though most payments continue to be made with money. Banks may pay with the certificates, which are issued upon the deposit of securities approved by a clearing-house committee appointed for the purpose. It is a sort of organised system for procuring rediscounts made by the banks as a unit instead of through single banks. The use of these certificates does not diminish in any way the obligation of the bank to pay, or the power of the depositors to secure payment on demand. It is a device of the very greatest utility, wherever there are many banks, which do not clear through the shifting of deposits on the books of a central reserve bank. It makes possible a liberal loan policy in time of crisis, by taking away the temptation to secure favourable clearing balances and thus accumulate reserves by restricting loans, while other banks are doing all in their power to relieve the situation. For several days before the issue of loan certificates, stock brokers had been unable to secure money on call from the banks, because each bank was unwilling to lend unless the other adopted the same policy. In order to sustain the stock market from utter collapse it was found necessary to organise each day a money pool to which the various leading banks subscribed. After the issue of loan certificates that cumbersome and uncertain method was no longer required.

The belief that the worst of the disturbance in New York was over proved well grounded. Trust company difficulties continued for more than a week, until settled in the manner already described. There were no further bank failures, and no important failures of any kind. New York was only concerned with the later course of the crisis through its position as the reserve banking centre of the entire country over which the crises extended during the week ending November 2nd. A number of adverse circumstances had already been reported from various parts of the country while New York was struggling with its own difficulties. The various Westinghouse companies went into the hands of receivers on account of inability to secure the renewal of large floating indebtedness, and as a consequence the Pittsburg Stock Exchange was closed—an exchange dealing almost exclusively with local securities. The Heinze troubles involved a bank in Butte, Montana, and in Goldfield, Nevada, runs on the banks due to local causes forced them to suspend. In Providence, Rhode Island, a large trust company with deposits of \$25,000,000 was obliged to close, and other smaller banks were subjected to runs.

These widely scattered troubles are mentioned because they contributed to the alarm which spread throughout the country on account of the panic in New York. Everywhere the banks suddenly found themselves paying out money in response to the demands of frightened depositors, and were in turn forced to draw upon their reserves deposited with other banks. The evidence of lack of confidence in the banks is clear, and points to a serious problem in American banking. For an historical parallel in England we should need to go back to the first quarter of the last century. Explanation is simple, however, if the course of previous American crises is recalled. Seven times during the last century the banks suspended payment in some measure at least, and there has been a currency premium, the last occasion having been so recent as 1893. There is a well-grounded belief among the people that it will be difficult to secure cash during periods of economic disturbance. In all countries, in times of crisis, some depositors withdraw their money and hoard it from unreasoning fear. In the United States there are also withdrawals by prudent depositors who wish to be absolutely certain that they shall have the money needed in their affairs, and still others who are influenced by the prospect of a handsome profit, in a few weeks, through the sale of money at a premium. Former suspensions have established a tradition

which is an ever-present source of weakness, and which can only be broken by the successful endurance by the banks of the strain of a crisis. Last autumn provided an exceptionally favourable opportunity, since general economic conditions were far less unsound than on many occasions when payment was suspended in the past. Unfortunately, almost as soon as withdrawals began, and before the banks had suffered a serious loss in reserve, specie payments were suspended once more. It was a measure not taken as a last resource; it was simply a precautionary measure wholly without justification from anything which had occurred. Before the end of the week ending November 2nd, partial suspension was general throughout the country, though there had been but one important banking failure, a San Francisco trust company, with deposits of \$9,000,000. The withdrawal of deposits and the hoarding of money were the only reasons which led to suspension where it was first resorted to. In some cities and by some banks it may have been necessary, because it had already taken place elsewhere, but this is improbable, because of the short time in which suspension became general. The extent to which suspension was carried cannot be accurately determined. It varied in different sections of the country, and with different banks, and also from day to day by the same bank. The governors of some of the western States declared a succession of legal holidays, though not in every case at the desire of the banks. More generally the banks began to "discriminate" in making payments. In Chicago, a central reserve city, "the banks stopped shipping currency for two or three days to their correspondents south and west, but for the past day or two have resumed such remittances on a moderate scale in cases where the demand seemed imperative." From various reserve cities came similar reports: *e.g.*, "In Minneapolis and St. Paul the bankers agreed to suspend temporarily the payment of money on cheques, certificates of deposits, or drafts, except for small sums, and further, for the present, to furnish no money for bank correspondents." "In New Orleans the associated banks have limited currency payments to any one depositor to \$50, except in cases where deviation from the rule seems necessary."¹

Banks as well as individuals throughout the country were evidently hoarding money, and trying to collect still more. Their demands upon the New York banks suddenly assumed unprecedented proportions. Even at this point, if the New York banks

¹ See *Commercial and Financial Chronicle*, Nov. 2, 1907, p. 1119.

had met every demand for money made upon them, it is probable that the banks elsewhere would have soon resumed the normal course of their operations, but they failed to do so, though they did not begin to discriminate so soon or in the extreme manner of the banks in some other cities. During the two weeks ending November 2nd, they sent \$42,000,000 to interior banks, and their reserve was reduced by about the same amount and stood at \$224,000,000. In the meantime, gold imports to the amount of \$29,000,000 had been engaged with more in prospect. The position of the banks was far from desperate, yet they had already entered the fatal and discreditable path of suspension, paying depositors at their own discretion. On October 31st, a premium of 3 per cent. was paid for money in New York, and a premium of varying amount, sometimes as high as 4 per cent., continued until the close of the year.¹

It is not possible to determine the extent to which suspension was carried in New York. It was stated with justice on behalf of the banks that money in large amounts continued to be paid out, and it was admitted that money was refused when it was believed that hoarding, whether by banks or individuals, was the object. On the other hand, when we find individuals, corporations, and banks buying money at a premium with certified cheques, it cannot be doubted that the refusal to pay cash was something more than an obstacle to the unintelligent demands of frightened depositors. There is fortunately some evidence upon this matter, which is not derived either from the complaints of depositors or from the apologetic utterances of bankers. After November 2nd, the weekly bank statement shows almost no further decline in the cash reserve. On that date it was \$224,000,000; on November 23rd it had been reduced by only \$9,000,000, and thereafter it increased week by week, and stood at \$251,000,000 at the time the money premium disappeared. In other words, at no time after the beginning of November did the New York banks supply the country with appreciably more than the additional money they secured through gold imports and in other ways, and not even all of that during most of the time that the money premium continued. It is significant that the much smaller banking reserve of the Bank of England was reduced during the first two weeks of this period from £24,000,000 to £17,000,000 without the remotest thought of suspension. Whatever may have been the situation in the rest of the country,

¹ For a table giving the premium for each day see "Hoarding in the Crises of 1907," by Professor Andrew, in the *Quarterly Journal of Economics*, Feb., 1908.

the New York banks proved themselves wholly unequal to the duties of their position as the central reserve banks of the country.

It is not a little surprising to find that American financial opinion is far from unfavourable to the banks, the suspension of which seems to be generally thought to have been unavoidable. This opinion is a natural and inevitable consequence of an entirely erroneous habit of thought in the United States with reference to banking reserves. Before the establishment of the national banking system in 1863, insufficient reserves were a constant source of weakness of American banks. The national banking law required a certain minimum of reserve to deposits from all banks entering the system, the percentage varying with the location of the bank. For New York and other central reserve cities, of which there are still but two—Chicago and St. Louis—a reserve of 25 per cent. is required. Banks in reserve cities (now about forty in number) must also have a reserve of 25 per cent., one-half of which may be deposited in central reserve city banks. Other banks, commonly called country banks, must have a reserve of 15 per cent., three-fifths of which may be deposited in reserve or central reserve city banks. Under the influence of this legislation, undue importance has come to be attached to the ratio between reserve and deposit liabilities, which is consequently maintained at all costs. On November 2nd, when the New York banks had \$224,000,000, they were below the 25 per cent. requirement by the amount of \$38,000,000, and a little later, when they still had \$215,000,000, the deficiency was \$54,000,000. This was an amount far greater than ever before and was apparently regarded by bankers and the public as a sufficient reason for partial suspension, and as evidence that everything had been done to the full extent of the power of the banks to relieve the situation.¹

Without exaggeration, this arithmetical reserve ratio can only be adequately characterised as a sort of fetish to which every maxim of sound banking policy is blindly sacrificed.

Outside New York the banks manifested an even more slavish attention to reserve requirements. In the absence of weekly statements, comparison must be made of the condition of the national banks on August 22nd and December 3rd, when reports

¹ For persistent failure to keep the required reserve, the Comptroller of the Currency may close a bank. There is no other specific penalty, and therefore it is not the requirements of the law that force the banks to maintain their reserve ratio in all circumstances.

were made to the Comptroller of the Currency. Taking all the banks in the system, cash holdings were reduced by only \$40,800,000, while their deposit liabilities had at the same time been diminished to the extent of \$350,000,000. The New York national banks alone lost \$41,700,000, or more than all the banks of the system taken together, and had a reserve of 21·89 per cent. The other two central reserve cities lost \$18,000,000, and were both below reserve requirements. The forty reserve cities held \$28,000,000 less in December than in August, but were still, taken as a whole, somewhat above the reserve requirements. The city banks taken together paid out \$87,000,000, but still had \$414,000,000 against a deposit liability of \$2,421,000,000, of which \$143,000,000 consisted of deposits of reserve city banks in central reserve city banks. In the meantime the country banks increased their cash holdings from \$199,000,000 to \$246,000,000, taking more than half the amount lost by the city banks, and had increased their cash reserve percentage from about 7 per cent. to nearly 10 per cent. If the money holdings of trust companies and State banks could be secured, it would probably be found that they had absorbed all the money not taken by the country national banks, since a relatively larger proportion of the reserve of those institutions is normally deposited with city banks.

The figures just given do not by any means show the amount of money paid out by the banks. During the three months before December, the money in circulation was increased by \$72,000,000 of Government deposits, by \$70,000,000 from gold imports, and by an increase of \$50,000,000 in the issue of bank notes. Nearly \$200,000,000 was added to the money outside banks and trust companies, and most of this was probably hoarded.¹ This is indeed a large sum, but for that very reason it is reasonable to suppose that the hoarding demand for money could have been satiated if the banks had refrained a little longer from adopting the policy of suspension. And finally, it may be observed that if in the end suspension had become unavoidable, it would not have made any serious difference whether the reserves of the banks had been but 10 per cent. rather than 20 per cent. of their deposit liabilities.

The effects of this partial suspension cannot be stated in

¹ After suspension more money would necessarily be required for a given volume of business, since people would be chary of depositing in the banks money for which they could foresee a need in the near future. On the other hand, extensive use was made of certified cheques and of other evidences of bank credit for payments, which in ordinary times are made with money.

general terms, because, as has already been noted, the extent of suspension varied in different places and with different banks, and with the same banks from day to day. For purely local purposes various substitutes for money, such as certified cheques, were in many places largely used even for small retail purchases, and for the payment of salaries and wages. Many factories were, however, closed, or went upon half time from the sheer impossibility of securing any medium for the payment of wages. A more general and depressing influence upon industry was due to the dislocation of the exchanges between different parts of the country. Domestic exchange became irregular, and at times it was almost impossible to secure it at any price. Drafts upon distant banks were of uncertain utility, for the banks would not always accept them even at a heavy discount. In every branch of trade, reports were made of rapidly diminishing sales simply on account of the currency situation. Some little time elapsed before this influence made itself felt in the production of commodities. In the iron and steel industry, November showed a distinct decline, which was, however, small compared with December. Taking the earnings of the United States Steel Corporation as a measure, we find a reduction of about 25 per cent. in November compared with the same month in the previous year, while in December they fell away nearly 65 per cent. Pig iron production tells the same story, December production of 1,234,000 tons, compared with 2,336,000 in October and 1,828,000 tons in November. This severe depression was a direct consequence of the partial suspension of the banks, but even under the strain to which all industry was subjected, there were only 1,180 failures in November with liabilities of \$17,600,000, compared with liabilities of \$12,000,000 in November, 1906.

Further indication of the course of trade is afforded by the figures of railway gross earnings, which, compared with the previous year, increased in November by about $3\frac{1}{2}$ per cent., but fell off in December by more than 6 per cent. The reduction would have been greater but for the heavy traffic in commodities for export, notably cereals, cotton, and copper. The banks seem to have made special efforts not to disturb the export trade by means of which foreign gold might be secured. Exports for November and December were nearly \$39,000,000 greater than in the same month in 1906, while imports fell off \$51,000,000 compared with the previous year. It is altogether likely that this abrupt change in the relative amounts of exports and imports

that the enormous quantity of gold brought to the United States from foreign countries was in a large measure secured as a result of the currency premium. In November the net gold imports were \$63,000,000, and in December \$43,000,000. The currency premium enabled American bankers to bid fancy prices for gold in London, and when it was above 3 per cent. it was possible to import gold at a profit, even when exchange rates were at the normal export point. The ordinary safeguards of the banking reserves in foreign free markets for gold were made of no avail, and European industry was burdened with onerous rates of discount because American bankers were not "playing the game" according to the rules which long custom had established. Certainly the most obvious instincts of self-protection would seem to suggest the wisdom of restricting American open credits in European banks within definitely narrow limits.

Many foreign observers have expressed the view that the American banking troubles were the result of deep-seated moral causes, assuming that the many disclosures during the last few years of corporate greed, mismanagement, and wild financing had created distrust of the banks. In the case of the early runs upon New York banks and trust companies, there is perhaps some ground for this opinion. It does not, however, apply to the banks in general. In the absence of branch banking, the banks in each place are, with few exceptions, owned as well as managed by local people. The misdeeds of trusts and railways cannot be supposed to weaken the confidence of the people in those of their neighbours who happen to be engaged in banking. It may, however, be thought that the withdrawal of their deposits by the country banks was due to the distrust of the bankers in the large cities, but since the crisis money has been returned to the city banks as in former years, though there has been no change in the management of those banks which might have restored confidence had it been lost. We are therefore driven back to the conclusion that the country banks were influenced in part by unreasoning fear, and to a greater extent by past experience of the difficulty of obtaining money from the reserve banks in times of crises.

In the United States an equally mistaken explanation has found general acceptance—the inelasticity of the currency system, and in particular the difficulty of expanding a bond secured issue of bank notes to meet emergencies. In the recent crisis, however, there was no lack of expansion in the purchasing medium. During October there was an increase of \$70,000,000 through

Government deposits in the banks and the issue of bank notes, in November \$120,000,000 by similar devices and by gold imports, and in December there was an increase of \$60,000,000. In another crisis these means might not be available. The Government treasury does not always hold a surplus; gold imports cannot be depended upon; and Government bonds for circulation are not always procurable.¹ For further emergencies, therefore, it may be advantageous to have a less rigid system of note issue, but no one should entertain the expectation that by that means alone troubles similar to those of last autumn will not reappear. No system of note issue can be devised which will be safe, useful for normal occasions, and at the same time will make possible an acceptable additional issue in time of crisis as large as the \$250,000,000 by which the money in the country was increased in the last three months of 1907. Had greater freedom of issue been possible, it is more than probable that credit would have been extended in that form to sustain speculation and prevent some of that moderate decline which came before the crisis. In this connection, it should be noted that none of the measures now before Congress contain that provision which is most essential to secure a safe and truly elastic currency where there are many banks of issue, viz., the requirement that no bank shall pay out the notes of other banks. This is the usual practice of the Scotch and Canadian banks, and is followed because to their obvious advantage. In the United States, with its thousands of banks, the cost of note redemption would be heavy, and the specific advantage to any one bank would be trifling. Without definite legal requirements, it would not be done, and hitherto bankers have shown no willingness to accept such an arrangement, or, indeed, very little conception of its importance.

The principal source of weakness in the American banking system can be traced to the large number of banks in the country. There are nearly sixty-five hundred national banks with aggregate resources of more than \$8,000,000,000, nearly ten thousand State banks with resources about half as large, and about eight hundred loan and trust companies whose resources fall a little short of those of the State banks. The proposal of

¹ Late in November the Secretary of the Treasury sold \$25,000,000 of Panama Canal bonds and \$15,000,000 certificates of indebtedness, not because the Government needed money, but to provide further security for the issue of bank notes. For the former, 90 per cent. of the purchase-money was left on deposit with the banks, to whom their sale was almost wholly confined, and 75 per cent. in the case of the certificates. These sales were made under a strained interpretation of the law, and the addition to the circulation was small and came too late to be of real assistance.

a central bank of issue, which is favoured by many persons at present, would be of doubtful value among so large a number of banks and in a country having such varied conditions as the United States. The experience of other countries with a central bank affords little or no indication of its probable consequences. If branch banking were to be permitted, and if sufficient time were to elapse to allow considerable banking concentration and the acquisition of knowledge of its working, many American banking problems would be simplified, and the experience of foreign countries might be followed.

In the existing state of public opinion in the United States, the acceptance of branch banking is unlikely, and therefore, in the consideration of legislative proposals, conditions arising from the enormous number of banks should not be neglected. The actual amount of money held by American banks (about \$1,100,000,000) in proportion to their deposit liabilities (\$9,000,000,000) is large, but it cannot be used effectively. It can hardly be expected that thousands of bankers can be made acquainted with the policy demanded by crisis conditions, and that they will have the courage and daring required to put it in practice. The undertaking which Bagehot set himself, to convince London of the proper policy for the Bank of England, was slight in comparison. In the future, as in the past, we may expect that in time of crises, each bank, or at any rate the banks in each locality, will forget that they are members of a closely interwoven system, and will act as if they were separate entities. In ordinary times, therefore, it is important that the banks should not become vitally dependent upon each other. The deposit of reserves in city banks has evidently been carried too far. The provision of the national banking law regarding the proportion of reserve which may be deposited should be changed. Instead of keeping two-fifths of their reserve, the country banks should be required to hold at least three-fifths, and instead of one-half, the reserve cities should be allowed to deposit no more than one-third in central reserve cities. The practice of depositing reserves has been greatly stimulated by the payment of interest, usually 2 per cent., for bankers' deposits. Even temporarily idle funds are sent to the city banks. The country banks normally have much more on deposit than is needed for their reserve requirements, and the rapid growth of State banks and trust companies in recent years has added enormously to deposits of this nature in city banks. This is, of course, especially the case in New York, where very nearly half the

deposits of the national banks are of that description. A law prohibiting the payment of interest upon bankers' deposits would diminish their amount, and at the same time would make it possible for the city banks to keep larger reserves against them. Legislation of this kind, together with some provision for a heavily taxed emergency note issue, are the simplest and, upon the whole, the most effective legislative remedies for the recurring troubles among American banks, but, above all, a more intelligent understanding of the purpose of banking reserves is required.

O. M. W. SPRAGUE

LABOUR ORGANISATION IN THE CUTLERY TRADE OF SOLINGEN.

THE German cutlery industry, which is almost entirely localised in the town and neighbourhood of Solingen, presents many of the interesting features which are familiar to those acquainted with the light trades of Sheffield, and offers in addition a remarkable example of successful labour organisation, which has no equivalent in the English cutlery centre. Solingen differs from Sheffield in being a small town of 50,000 inhabitants, whereas Sheffield contains nine times that number. Indeed, the population of the whole area of the industry, including Solingen and the surrounding country, together with the adjacent towns of Gräfrath, Höhscheid, Wald, and Ohligs, does not number one-third of the inhabitants of Sheffield. Throughout this area the staple industry is the manufacture of cutlery—the manufacture of tools, saws, and files, which are also Sheffield trades, being carried on in the neighbouring town of Remscheid, under totally different conditions, while to find the equivalent of the heavy steel trade of Sheffield it would be necessary to include the town of Essen.

Sheffield and Solingen have for many generations been keen competitors in the world's markets. They are curiously similar in situation. Both in the past have profited by the abundance of waterpower on the small streams in their respective neighbourhoods, and the easy access to suitable stone for grinding, while the mountains of Westerwald formerly supplied Solingen with an abundant supply of natural steel of a fair quality, obtained directly by smelting with charcoal. To-day steam in Sheffield, and electric power in Solingen, are taking the place of the water-wheels, the grindstones are no longer purely local in origin, and both towns alike make large use of the finest Swedish iron, which is converted into steel in Sheffield. Again, in both places the large proportion of the operatives who are "outworkers," have retained down to

the present day some of the independence of the mediæval craftsmen. Although they no longer own the actual materials of their work, they still own all the necessary tools and equipment, and work at a time and place largely within their own discretion. Among the outworkers of Solingen, the threefold division into "master" workman, journeyman (or "datal man," as he is called in Sheffield), and legally bound apprentice, is still sharply defined.

In Solingen the craft of the sword-maker has been carried on from the earliest times, and already in the fifteenth century they were incorporated in three Companies of the Sword-smiths, the Temperers and Grinders, and the Finishers, which were mutually exclusive as to membership. Originally all blades were forged by hand, but mechanical hammers driven by water-power came into use in the sixteenth century, and a vain attempt in the year 1687 to prohibit the use of blades made in this manner only served to mark the predominance of the new method. Side by side with the technical transformation an economic revolution took place; there grew up a body of capitalistic merchants or factors, and the workers became wage-earners, working on material supplied by the merchants. In 1571 the knife-makers in their turn attained to the privilege of an independent incorporation—six years later than the date of the earliest known Ordinances of the Sheffield Cutlers, though the members of the Sword-makers' Companies retained the right to exercise this humbler craft until the middle of the century following. In 1596 Ordinances were passed requiring each master to be fully qualified as forger, cutler, and finisher; he was forbidden to employ more than one journeyman and one apprentice at a time; the use of blades made under mechanical hammers was forbidden; he was required to strike his own mark on all his work. The Ordinances of 1687 were intended to re-establish the position of the worker as an independent craftsman, and to check the transition to the status of mere wage-earner, but by the middle of the eighteenth century the change was complete, and from that time onward the economic conflict has centred in the problem of maintaining a fixed scale of wages for the various branches of the industry. The grinders had already become wage-earners by 1607, when they obtained their first official scale, and this was extended to all branches in 1673. The last general scale under the Guild system was ratified in 1789. It gave 211 specific prices for the detailed work of forging and grinding knives, 200 prices for the details of cutler's work, 10 prices for gold and silver decoration, 64 prices for fork grinding, and a complicated list of prices for

forging and grinding pocket knives, arranged in seven classes. The ancient rule that no master should employ more than one journeyman and one apprentice was reaffirmed. In 1794 the Scissor Makers—a body of about 200 master workmen and their assistants, hitherto outside the Cutlers' organisation—obtained a grant of incorporation, being the last section to be admitted to such privileges. In 1809, however, the whole Guild organisation was swept away, and a period of industrial anarchy engulfed the workers, who numbered more than 4,700, and rendered them powerless to withstand the devastating spread of the "truck" system, which was carried on by the merchants. This system of payment reached its full development in the period 1820–1840, and contributed greatly to the degradation of the ancient industry, and caused it to acquire an evil reputation, since the standard of workmanship sank to a low level under these conditions. In 1840 the establishment of an Industrial Court with a Board of Conciliation in Solingen provided some means of bringing the employers and their workers into harmonious relations; but the modern organisation does not really begin until after the concession of the right of combination in 1869. Since that time the workers have been able to re-establish their position as independent outworkers, and to offer a stout resistance to the inevitable trend towards factory organisation.

In Sheffield, at the present time, the large factory with many departments embracing all the various processes tends more and more to become the dominant type, and there is a steady though gradual decline of the system of outwork, which is now mainly restricted to those who work for "little masters," though there are but few firms which give out no work at all. There are two classes of "little masters"; the first occupy a small office and warehouse, and have little or no work done on the premises, but utilise the labour of outworkers, generally those who are neediest and the poorest workmen. They buy the parts of the article stamped out by machinery, and, having had them worked up, travel round to country towns and watering-places selling at prices at which they can defy the larger establishments who have heavy fixed charges and higher wage rates to meet. The other class are working grinders, or cutlers who employ a team of two to six men on time wages to work with them. Such a man rents a whole room in a tenement factory—a cutler's shop or grinding "hull" as the case may be—and takes work wherever he can find it, either from the warehouse of one or more of the larger factories, or from little masters who do a factoring trade. Other outworkers are

single-handed, or employ a man and possibly a boy to assist them ; such was commonly the rule of the trade when the Unions were stronger. The outlook in the trade is not sufficiently attractive to cause a superabundance of boys. In the hand-forging branches the *personnel* is practically stationary, and the trade is rapidly being transferred to the mechanical hammers.

In Solingen, as in Sheffield, the transition from domestic to factory organisation is steadily proceeding ; indeed, in the manufacture of arms it is already accomplished, with the sole exception of the hardening process. In all branches the substitution of mechanical for hand hammers has transferred the forging process to the factories, in this respect presenting a contrast to Sheffield, where much of the finest cutlery is still hand-forged. The machine-grinding of razors has also found a foothold in Solingen, and electric ovens for tempering have reached an experimental stage. On the other hand, the operations subsequent to forging, namely the tempering, grinding and glazing, filing, hafting and finishing processes still to a large extent take the form of outwork, and are likely to remain so. A significant check has been given to the concentration in factories by the very rapid diffusion of electrical energy which has taken place among the outworkers ; this enables them to have at their command, in whatever quantity may be desired, the assistance of motive power for drills, lathes, grindstones and polishing wheels, and at the same time provides them with electric lighting—an important advantage where fine work is undertaken. To the grinders it has proved especially beneficial, since it has rendered possible the multiplication of private grinding shops attached to dwelling houses in the suburbs, and has thereby improved the position of many who would otherwise have to work either in the water-driven grinding wheels which are found on all the streams in the district, or in the steam-driven factories in the town. Thus, by means of these private installations, a positive extension of outwork has recently taken place, and fresh shops are being provided at the rate of 200 per annum, half of which are grinding wheels. It may, indeed, be said that all manufacturers give out more work than they carry out in their own factories, and the largest firm in Solingen, who employ 2,400 workers, only find work for some 800 on the premises.

The outworking grinder either occupies his own shop, sometimes singly, sometimes in partnership with one or more fellow-workers, or rents a " *Stellung* " (or " *trow* " as it is called in Sheffield) from the proprietor of a tenement factory, paying a

weekly rent of from 1s. to 6s. per week, the larger sum being the most usual, but the former price still to be found in some of the more dilapidated water-driven wheels. For this rent he obtains shop room and power, but must supply his own grindstone (a new stone costs £7 to £8), glazers, and other tools.¹ If he employs another man or an apprentice to work with him he must pay double rent. The wages for which he works are thus subject to important deductions, which render the calculation of nett wages and nett labour cost of production a matter of some complexity. The local income-tax regulations allow a deduction from a grinder's gross earnings, on account of expenditure on tools and rent, varying from 20 per cent. in the case of razor grinders to 33½ per cent. in the case of sword grinders. Even these figures do not, in some cases, represent the full extent of the outlay involved.

At the opening of the nineteenth century there were in Solingen and the neighbourhood 4,700 cutlery workers, distributed as follows :—

	"Privileged" master workmen.	Their assistants.	"Unprivileged" workers.	Total.
Sword makers	580	480	570	1,630
Knife makers	400	600	700	1,700
Scissors makers	200	200	100	500
Grinders	500	400	—	900
	1,680	1,680	1,370	4,730

It is noticeable that a considerable proportion of the total number of workers at that time consisted of "wild," or unprivileged men, who were included in the Guild. There were then 93 grinding wheels in the Solingen district. Work was irregular, being checked by frost in winter and by drought in summer, as well as by bad trade; thus the grinder commonly spent part of his time in cultivating a plot of land. Steam wheels were first introduced about 1850. In 1832 there were 89 wheels; in 1860 there were 105; in 1895 the number had risen to 189, of which 63 were driven by water and 107 by steam. There are now some 700 grinding wheels, less than 30 being driven by water power, the greater number being small establishments with electric installations.

	No. of grinders.		No. of grinders.
1860	1,581	1895	3,727
1875	1,846	1898	4,027
1885	3,007	1908	5,033

¹ Similarly, a Sheffield table-blade grinder renting two "trows" has to provide for a weekly outlay of about 15s. for rent and 6s. for materials.

Two-thirds of the grinders are now independent master workmen. The total number of cutlery workers is as follows :—

	Organised in Local Federation.	Organised in National Federation.	Un- organised.	Total.
Grinders	3,189	1,070	774	5,033
Forgers	378	731	120	1,229
Cutlors, Hafters, Filers, and Finishers	2,381	2,558	895	5,834
	<u>5,948</u>	<u>4,359</u>	<u>1,789</u>	<u>12,096</u>

These figures are obtained from trade union sources, and may be taken to include all regular workers in the trade, though a strict census enumeration would probably increase the totals. The 12,000 thus employed are composed—in round numbers—of the following groups :—

Employed in	Number.
Pocket-knife Trade	3,300
Scissor Trade.....	3,200
Table-knife Trade.....	2,000
Razor Trade	2,000
Sword Trade	500
Various	1,000
	<u>12,000</u>

The four chief departments of the cutlery industry are the forging, the grinding, the putting together or cutler's work proper, and the final finishing, the first and the last being almost entirely carried out in the factories. In the forging process much machinery is employed. For razors and scissors die forging under a drop hammer is usual; for table and pocket blades trip and tilt hammers are used, and in the case of the table blades more elaborate machines with two or four hammers operating against one another simultaneously. In all cases the superfluous metal is then sheared off, and the exact contour given to the article in a cold fly-press. In the case of mechanically forged goods, owing to the regularity of form attained, there is probably some saving of labour in the subsequent processes of grinding or filing, particularly in the case of hollow forged razors. The grinding proper is carried out on large sandstone wheels, often seven to nine feet in diameter, moistened by a slight stream of water from a pipe. The top of the stone revolves towards the grinder as he sits facing it, holding his work against the face of the stone, with the help of hands and knees, some eighteen inches from the ground. This process finished, the same man takes his work to another room for the "glazing" or finer grinding; this is done on revolving disks of wood, about 18 inches in diameter, the leather-coated periphery of which is dressed with emery powder of varying

degrees of fineness. Goods of the best quality are given their final polish by means of rouge powder, on a wheel covered with soft leather, or by using a revolving brush or "dolly" and Vienna chalk. Work which cannot be adjusted to a revolving stone or wheel, such as scissor handles, must be filed. The occupation of the "cutler" proper is furnished by the process of putting together, as a pocket knife is built up out of numerous parts. The cutler's work is a succession of skilful manual adjustments, each knife being a unique agglomeration of parts which are not interchangeable with another knife out of the same batch. It is thus intelligible that the cutler, although his work is not particularly arduous or exacting, should enjoy a high reputation as a handy man for any manual job. The last process is that of the "finisher" in the factory, who gives the final external polish and leaves the article ready to hand to the customer.

Especially in the grinding and putting together of cutlery goods the system of outwork is still prevalent. The grinder needs only simple motive power, and the cutler, until recently, was accustomed to do without power altogether, to make all his borings, &c., by hand, and to use a simple foot lathe to rotate his glazer.

In such circumstances the attempt to concentrate the work in factories brings with it few economies, but it facilitates labour organisation. Outworkers are difficult to organise even for so fundamental an object as the defence of a common piece-work price-list. When large numbers of them live beyond the limits of the town, and may even work in their own homes, they acquire little of the *esprit de corps* of a factory, and the price-lists are exceedingly difficult to preserve from the insidious attacks of discounts conceded by needy workmen here and there when work is scarce. The chief reason why the grinders both in Sheffield and Solingen have been better organised than the cutlers is that they are more congregated at their work. In Sheffield, indeed, owing to ineffective organisation, few if any of the printed price-lists which are still found in the cutlery trades are literally adhered to at the present time. In Solingen the case is quite otherwise.

Until recently the workers of Solingen were united in numerous sectional societies, each embracing those occupied in a single process in the manufacture of one of the staple articles. The formation of powerful sectional unions practically compelled the employers to unite in self-defence in their turn. Thus the basis of the present organisation is found in the existence of some thirty to forty sectional labour unions confronting a number of employers' associations.

The most prominent of these employers' associations are those of the Sword Cutlery Manufacturers, the Pen and Pocket Knife Manufacturers, the Table Knife Manufacturers, the Razor Manufacturers, and two Associations of Forge Proprietors, one of which is confined to Pen and Pocket Blade Forge Proprietors. Naturally many of the employers belong to two or more of these societies, according to the scope of their businesses. The leading labour unions, with which these have to deal, are the Scissor Grinders' Union, with 1,250 members, the Table Blade Grinders, with about 900 members, the Razor Grinders with 700 members, the Pen and Pocket Knife Cutlers and Finishers, each with 650-700 members, the Table Blade, Scissor and Fork Forgers with 560 members, the Pen and Pocket Blade Forgers with 200, the three unions of Table, Butcher, Bread and Vegetable Knife Cutters, together including 480 members. It is worth while to glance at the history of the principal unions.

Scissor Grinders' Union.—After the concession of the right of combination by the law of 1869, the grinders quickly seized the opportunity presented by a series of prosperous years, and built up a strong organisation. The Scissor Grinders' Union was established in 1872, and ever since that time has remained one of the most powerful societies. The policy of enforcing their demands on individual firms one at a time soon brought home to the employers the need for defensive alliances, and already in 1874 the Associated Scissor Manufacturers were able to make a firm stand for five months, during which period they gave out no work. In February, 1875, the injurious dispute came to an end, and an agreement was ratified which provided for the establishment of a joint Conciliation Board and a guaranteed piece-work price-list. Both sides were pledged to enforce the list on those masters or workmen who stood outside their respective organisations, and no alteration of the list could be entertained without three months' notice. Agreements of this character have been in force for thirty years, and recently their operation has been extended to most branches of the staple trade. The price-list for scissor grinding was modified in 1878, after which it was maintained unaltered until 1890, in spite of severe trade depressions and the competition of "wild" or unorganised workers at lower prices. Some evasion occurred which was made possible by the connivance of individual grinders, as, for instance, by giving a "full polish" when only "three-quarter polish" was entered and paid for, but when such practices were discovered the employer was compelled to refund the deficiency to the union. On the whole the agreement was successful in

securing steadiness of wages and in maintaining the quality of work. An increased list was conceded in 1890, which survived an obstinate attempt to break through the agreement made by one of the most important firms in the district during the years 1898-1900. This dispute ended in a victory for the grinders and the recognition of an even more favourable price-list. In the following year the Manufacturers' Association attempted to effect a reduction, and the Conciliation Board in this case failed to attain a pacific arrangement, as did also a special Board appointed jointly by the Central Committee of the workers and the Federation of Manufacturers' Associations. The consequent strike and lock-out resulted, however, in the re-establishment of the scale, and in an undertaking to maintain it unaltered for three years. The present list dates from October, 1907. It is an elaborate pamphlet of 45 pages, one half of which is occupied by thousands of detailed prices applying to the immense variety of goods handled according to their kind, size and quality, the other half giving 125 drawings of the principal types of scissors dealt with and an index. The prices laid down are minimum prices, and are, as a matter of fact, exceeded by some of the best firms; they must be maintained under penalties by both the employers and the men. Repeated infringement involves the exclusion of the offending member from the society to which he belongs. The grinders may work for no master who does not pay the scale, and the employers are bound to refuse employment to any grinder who is convicted of taking less than the minimum. The Conciliation Board adjusts all questions which arise between the two organisations. 'Three months' notice of any proposed change of prices must be given, and alterations which are ratified by the Board can only come into force after another interval of three months, except by special agreement. The Board consists of seven employers and seven grinders appointed by their respective organisations; the chairman is an employer. The number of scissor grinders employed has trebled in thirty years.

Table Blade Grinders' Union.—As early as 1872 the table blade grinders carried out a successful agitation for a 25 per cent. increase of prices, in spite of the masters' refusal to supply work during a four months' dispute. Having little to fear from foreign competition they were able to dictate their own terms, and seem to have been masters of the situation during the period 1873-5, when the "king" of the grinders issued his mandates in the newspapers from day to day, and summoned employer and grinder alike to appear before him and justify wages given or received. The

employers, however, in 1875, followed the example of the scissor manufacturers, and formed an association. Two years later one of the chief firms attempted to introduce a new subdivision of work in the grinding and polishing, and to pay nett wages to their workers, the firm supplying all necessary tools and appliances. After a four months' dispute the association came to terms with the men, whereupon the firm referred to left the association and the union broke down. It was not until 1887 that the table knife manufacturers came to a mutual understanding with the Grinders' Union, and concluded the establishment of a price-list and a Conciliation Board. This Board was often called upon to investigate complaints against employers for abandoning the scale, and in many cases enforced the payment of an indemnity. In 1888 another important dispute occurred with reference to the system of work adopted by the above-mentioned firm. This firm supplied its grinders with all those tools and materials which the independent outworker found for himself, thus destroying all uniformity in the price paid for the work as compared with other firms, and in the eyes of the latter gaining for themselves an unfair advantage. In 1902 the Union demanded from the Manufacturers' Association an advance of prices; the association replied that the competition of such firms as the above was hitting their members hard, and that a reduction of wages instead of an increase would be required if it continued. They also reminded the grinders that they were not carrying out their agreement to work for no firm who evaded the price-list, and threatened to withdraw from their obligation not to employ grinders who worked below the list, so that they might be free, if they wished, to obtain goods from the illegal firms. In 1903 the manufacturers expressed their willingness to adopt a new price-list, including rates for work on the new system, on the grinders undertaking to see that the illegal firms promised their adhesion also. The firm with whom the trouble originated adopted a special scale of payment for subdivided work drawn up by a Commission,¹ and undertook to observe the new price-list. After a sharp conflict the new list with increased rates was ratified, and all the old obligations were fully restored.

Pocket Knife Cutlers' Union.—In this branch home work abounds, and there is a natural tendency to call in the assistance of women and children; moreover, since the workers are widely

¹ This firm pays *nett* wages, at a discount of 33½ per cent. from the price-list. Together with two or three other firms, where a system of subdivided labour is in force, they are strictly boycotted by the trade unions.

scattered, and much of the work requires but little strength or skill, organisation is difficult, and standard rates are easily broken through under pressure of poverty. The Union was established in 1889, but the prolonged negotiations for a common price-list were fruitless, and a five weeks' strike finally took place in January, 1895. Inquiries made at that time showed that there were 801 master workmen employed, assisted by 223 journeymen and 358 apprentices. Of this number 662 masters and 27 journeymen belonged to the Union; subdivision of employments and women's labour were common, and thirteen hours was the usual length of the working day. A Conciliation Board was established at the conclusion of the strike, which worked out definitions of standard qualities for the trade, but no agreement about prices could be attained, and the following year the dispute broke out afresh. This time the strike lasted seven weeks, and was assisted by contributions received from the cutlery unions in Sheffield. Finally a settlement was reached on the ground of mutual recognition of a price-list and the re-establishment of the Conciliation Board. A fresh list was adopted in 1900, which was enforced upon the manufacturers who were outside the Association. In 1904 there arose a difficulty with an important firm with regard to the calculation of deductions to be made from the list for work given out in a more advanced state than usual, certain preparatory work being performed in the factory. In spite of the comparative weakness of the organisation an agreement was reached after a short strike.

Pen and Pocket Knife Finishers' Union.—The finishers, to the number of 600, stood firm through a ten weeks' strike before they succeeded in securing a recognised list. This struggle cost them £5,000, and similar sums were lost both by other branches of workers and by the employers. New lists were subsequently obtained in 1900 and in 1907.

Pocket Blade Grinders' Union.—This organisation was founded in 1872, and the Pocket Knife Manufacturers' Association in 1880. There was a strike in 1882, and a prolonged dispute in 1890, which was concluded on the recognition of a price-list and a Conciliation Board. Fresh agreements were ratified in 1907.

Forge Workers' Union.—In the machine forging, which has developed rapidly during the last twenty-five years, a price-list was first established in 1900, after an obstinate strike which caused the employers to unite in the Forge Proprietors' Association, and join in a common Conciliation Board. In this struggle the workers were supported by the German Metal-workers' Federation. The agreement in this case covers not only the establishment of

an agreed price-list and a Conciliation Board, but also deals with hours of work, Sunday work, employment of youths, and other matters.

Both the employers' associations and the labour unions are respectively consolidated in wider federations. Thus many of the employers' federations belong to the "Verband der Fabrikantenvereine," which was founded in 1890, and re-established in 1900, and which admits to membership not only employers' associations but also individual manufacturers who have no opportunity of joining any existing organisation. This federation forms a second line of defence against the trade unions, and a further means of negotiation in cases where the sectional Conciliation Board has failed to settle a dispute. Its membership includes the chief associations, namely, the Manufacturers of Scissors, Table Knives, Pocket Knives, Forks, and Razors. Side by side with this federation are two others, the "Verein zur Wahrung der wirtschaftlichen Interessen der Solingen Industrie" and the "Verband von Arbeitgeber im Kreise Solingen," both established in 1903. The former is composed of individual manufacturers who own their own works, those who only employ outworkers being specifically excluded. It is not confined to members of the cutlery trade. Voting is regulated by the total amount paid in wages and salaries during the previous year. The sum of £1,500 so paid gives a right to one vote, two are given for £3,000, three for £5,000, and an additional vote for each further £2,500 up to a possible maximum of twenty-one votes. The membership is not large numerically, yet it represents probably more than half the wages paid in Solingen, and the Association gains in solidarity what it loses in comprehensiveness. If one of the members is boycotted by a trade union no other member may employ the defaulting workers. On the other hand, a lock-out must be ratified by three-fourths of the votes at a special meeting. The other association, the "Federation of Employers in the Solingen District," tries to embrace all employers, whether as sectionally organised or as individual members. Voting power here also is proportioned to wages and salaries. The object is to form an organisation which may counterbalance the practically universal organisation of the men. The Federation is one of the numerous similar organisations which are united in the "Verein deutscher Arbeitgeber Verbände." It has a large membership, including the Associations of Foundry Proprietors, Sword-cutlery Manufacturers and Pocket-blade Forge Proprietors, and has on more than one occasion successfully intervened in disputes.

The Labour Unions are united on their side in two wider federations, as well as by a Central Committee of delegates, or Trades Council, with somewhat extensive functions. The purely local federation of cutlery workers known as the "Industriearbeiter Verband," which includes more than two-thirds of the organised workers of the staple trade, is of recent origin. It is a manifestation of the spirit of sturdy independence and jealousy of external domination which actuates the workers of Solingen, and is a friendly opponent of the local branch of the national Federation of Metal Workers ("Deutscher Metalarbeiter Verband"). The latter is not confined to cutlery workers, but includes metal workers in miscellaneous trades, the latter constituting half the membership of the branch. The rivalry between these two bodies has provided a keen stimulus towards effective organisation, and has materially contributed to the success of the labour movement in Solingen.

The "Central Committee of the Solingen Trade Societies" was founded in 1899, and is composed of delegates from the sectional Unions affiliated to it at the rate of one delegate for the first 100 members, and an additional delegate for each additional 300 members. The delegates appoint an executive committee of seven members and three supervisors. All the affiliated societies are bound to carry out the decisions of the Committee. The contributions are at the rate of 10 pf. per month per member of the affiliated societies. The Committee gives no monetary assistance in the case of strikes or boycotts, except in extraordinary circumstances, but it affords legal defence in actions arising out of the activities of its members on its behalf. The Committee maintains a Labour Inquiry Bureau, which gives advice with regard to all matters relating to insurance, conditions of work, legal difficulties, taxes, military service, and the like; the Committee also pays special attention to the enforcement of the beneficial provisions of the Labour Laws, and supervises the elections to the Industrial Court.

The powerful and energetic organisation known as the German Metal Workers' Federation, itself a member of an international federation, has for years carried on a keen agitation in Solingen with the object of affiliating the local Unions. It has been joined by the old trade society of the Forge Workers, and by the Foundry Workers—both of these groups being factory workers—and by the bulk of the cutlers, grinders, and finishers of pen- and pocket-knives, as well as by a large number of individual members belonging to other groups.

The local federation, the "Industriearbeiter Verband," was established in 1907 in spite of the opposition of the Metal Workers' Federation, and the reluctance of some of the stronger of the sectional Unions to abandon their independence, which sentiment had proved fatal to all similar schemes in the past. It is really the offspring of the Central Committee, and is an amalgamation of about thirty-five sectional unions or groups of workers which must each be affiliated to the Central Committee. Most of these sections had previously their own constitutions and funds, though they varied greatly in influence and efficiency. The Federation only admits individual members when there is no group organisation for them to join. The total membership is more than 6,000, of whom the manufacture of scissors employs 2,360, table and other large knives 1,450, razors 790, pocket knives 540, and sword cutlery 410. Each section appoints two delegates if its membership is less than 200, and three if it exceeds that number. These delegates elect an executive of nine persons. When a dispute arises it is the duty of the executive to obtain full information as to its origin, the demands that are put forward, the number likely to be affected, the proportion of organised and of unorganised workers, the state of trade, and all other material circumstances, and report to the next meeting of the delegates; these may ratify a strike or boycott by a vote of not less than two-thirds of the number present. The contributions paid by the members are at the rate of 50 pfg. a week for those over sixteen years of age, and 20 pfg. a week for apprentices. Every master workman who employs a journeyman or apprentice is responsible for his contributions as well as his own. The benefits are as follows:—

Strike Pay.—Members over eighteen years of age draw 12s. a week, or if married 15s. a week and 1s. 6d. for each child under fourteen years, up to a maximum of 21s. a week. Apprentices receive 6s. when fourteen years old, increasing by 8s. for each additional year of age.

Out of Work Pay.—Subject to six months' continuous membership, members over eighteen years of age receive 10s. a week, under that age 4s. a week. Married members receive in addition 1s. a week for each child, up to a maximum benefit of 14s. a week. The benefit takes effect from the seventh day of unemployment, and is limited to six weeks' duration in one year.

Sick Pay.—Subject to one year's continuous membership adult members receive 6s. a week, commencing with the second week of sickness. This benefit is limited to twenty-six weeks' duration in any year.

The effectiveness of the federation is shown by the mutual helpfulness of the branches to one another, the well-organised sections taking the part of the weaker, and refusing to work for an employer who evades the agreed scale. In this way the maintenance of the established price-list is secured even in the case of unorganised employers and workmen. The employers' associations also support the policy of making the price-list universal, and put pressure on the Unions to secure recognition of the lists by those employers who are outside the associations, these being for the most part small masters and merchants who are trying to undersell the large houses by paying low wages. In 1906 the Flat-tanged-knife Cutlers, one of the worst situated branches, secured the consent of the Table Knife Manufacturers' Association to an increased scale of prices to take effect on January 1st, 1907. The assistance of the Table Knife Grinders' Union was invoked in order to secure the adherence of the 160 employers who stood aloof from the Association. One firm, however, refused to recognise the list, and thirty outworking cutlers who had worked for the firm for decades went on strike. The inworking cutlers belonged to the Metal Workers' Federation, which refused to recognise the dispute. The inworkers, however, refused the terms offered by the firm, and both the grinders and cutlers went on strike before a settlement could be reached.

In another instance a small but well-organised branch, the Scissor Finishers, came to the assistance of the large and powerful body of Scissor Grinders. The latter had been unable to secure the recognition of a new price-list by certain of the firms standing outside the Scissor Manufacturers' Association, and in one case the dispute had lasted thirty-two years. The small but compact body of Scissor Finishers were able to bring the recalcitrant firm into line, and so terminate the long-standing quarrel in 1907.

A good example of an old exclusive craft is found in the highly skilled occupation of sword hardening, in which three families, all outworkers, enjoy a complete hereditary monopoly. All attempts to supplant them by training workers in the factories have hitherto failed.

Another interesting feature of the Solingen organisation is the prevalence of the time-honoured practice of insisting on the repayment by employers of any deficiencies of wages due to evasion of the wage scale which is proved against them. This is effected by the agency of the Conciliation Boards. During 1907 a total amount of £450 was received by the local federation from this

source, one employer alone having to pay £90. This money is used by the Unions for the relief of necessitous workers.

Though not all the groups of workers are equally strongly organised, more than a score of craft organisations have now their own printed and ratified price-lists, and even where the organisation is most defective the federation is able to secure a fair measure of uniformity. In every branch stress is laid on the policy of discouraging the worker from becoming an employer with a handful of men working with him, though he is given every assistance in maintaining and improving his status as a *bona fide* workman. With this object there is one regulation which is most rigorously insisted on, namely, the one which prescribes that no master workman may employ more than one journeyman and one apprentice at the same time. This same rule, as we have already seen, was enforced by the Guild Ordinances in the sixteenth century. Thus regarded as a whole the position of the workers is exceptionally favourable, and it is not surprising to find that they present a fine body of men, remarkable alike for their prosperous industry, high intelligence, and sturdy independence.

The fact that development of factory organisation has gone on concurrently with the creation of the labour organisation above described proves that the older crafts can prosper in the new circumstances of the industry. Indeed, it may well be that the concentration that has taken place has itself been a factor favourable to efficient organisation. Though the transition to the factory system of production will run its course, it cannot be expected that the trade will for a long time to come be completely subservient to a machine process. The immense variety of products in each branch of the trade makes it very difficult to standardise patterns or to adapt automatic machinery. A single forge may, for instance, have to deal with as many as 2,000 different patterns of pocket knife blades. Again, in the grinding department the whole of the work except for some mechanical grinding of razors and table-knives is dependent on delicate manual skill, and the variability of the consistency of both steel and stone makes the problem of automatic grinding doubly baffling. Apart from these difficulties no method of machine grinding has yet been devised which can give a cutting edge to an article, and thus the finishing at least must be done by hand. So long as handwork survives the system of outwork is likely to continue. The importance of diffused electric power in this connection has been already noticed, and its influence in counteracting the tendency to concentration. A further

condition essential to the prevalence of outwork must not be overlooked; this is the necessity of giving close attention to the improvement of technique and to the thorough training of apprentices. The former is encouraged in Solingen by the elaborately equipped "Fachschule," devoted exclusively to promoting the interests of the cutlery handicrafts, while the Industrial Code prescribes for all workers a compulsory term of apprenticeship ratified by written indentures. The period of service is determined by the rules of the individual Unions, and in most cases lasts for four years beginning with the fourteenth year of age, though in the case of razor grinding it is one year longer. It remains to be seen whether the comprehensive system of federated organisation which is now in operation will prove itself equal to the storm and stress of trade fluctuation. The Conciliation Boards are a spontaneous growth arising out of the special circumstances and needs of the industry, and thanks to the intelligence, patience, and good feeling which has prevailed on both sides have hitherto proved themselves a potent influence on the side of peace. Even the isolated cases in which they have failed to attain their object have only served to demonstrate their usefulness more completely.

The revised statutes of the Table-blade Grinders' Conciliation Board, which has been in operation since 1887, are here appended to serve as an example of the regulations which govern these bodies. A common Conciliation Board of the whole trade will shortly be established, and its rules, which are now under consideration, are expected to correspond closely to the following:—

"Statutes for the Conciliation Board between the Table-knife Manufacturers' Association and the Table-knife Grinders' Union in Solingen. Effective from March 1st, 1904.

"1. The list of prices and qualities is to be mutually established by the two organisations, and similarly with every alteration thereof.

"2. When either organisation regards as necessary an alteration of one or of all the prices, they must send written notification of the termination of the old price-list to the other party. Three months' notice must be given, during which time the new prices must be completely arranged; they will come into force one month after the expiration of this interval, unless both parties agree upon another date. Prices for descriptions which are not included in the list, as well as for sub-divided work, come into force three months after agreement is reached.

"The Grinders' Union, after the prices have been determined, must bring evidence within an agreed interval that the majority of the employers outside the Manufacturers' Association have declared

themselves willing to pay the same prices, and that the Union has taken the measures that are necessary to convince themselves that the obligations entered into by these employers are scrupulously carried out.

" 3. A Commission, consisting of five members appointed by each party, has been established under the name of ' Board of Conciliation ' to undertake the supervision of the punctual carrying out of all the regulations concerning the price-list, and to obviate such defects as may arise.

" 4. The members of both associations are bound to make the strict maintenance of the details as to prices and qualities established by agreement their first consideration. When a difference arises between an employer and his workmen, every effort must be made to effect a prompt settlement on the basis of the existing regulations. If such an understanding is not attained, the duty of trying to adjust the matter falls on the executive of the Grinders' Union. If a settlement is not arrived at even then, the matter will be placed in the hands of the Conciliation Board, whose decision is in every instance final. An appeal against the decision may be laid before the General Meeting of the association concerned.

" To secure more effective control every employer must supply his grinders with wage-books.

" 5. The members of both associations are bound to submit their wage-books to the executive of their own association on demand.

" 6. Wage deficiencies which come to light through the control exercised by the Grinders' Union must be adjusted by the Executive of the Union with the employer concerned, in cases in which a memorandum relating to the point at issue has remained on the delivery note, and no notice has been taken of it by the employer. On the definite refusal of the employer to settle the matter, it must be immediately placed in the hands of the Conciliation Board, which must decide the question. Any member against whom complaints are made is bound to appear before the Conciliation Board, or to be represented; otherwise the matter will go by default.

" 7. Wage deficiencies which the grinder himself reports to his Union within one month will be repaid to him after the settlement. Deficiencies of longer standing are paid into the funds of the Conciliation Board.

" 8. Deficiencies, the settlement of which falls upon the Conciliation Board, must be notified to them within six months, and must be settled by them within three months after the notification. The Board has, however, the right to extend the period for settlement in cases where difficulty arises.

" 9. If a grinder is proved to have worked for less than the list price, he must, on the application of the Union, be refused work by the members of the Manufacturers' Association until he has fulfilled the conditions imposed upon him by the Conciliation Board.

" If an employer be shown to have had grinding done below the

list price, and refuses to comply with the conditions imposed upon him by the Conciliation Board, then, on the application of the Manufacturers' Association, no member of the Grinders' Union may work for him until he fulfils his obligations.

" 10. Neither association is authorised to take any steps against a member of the other association without the authority of the Conciliation Board. No publication in the Press of the names of members of the associations who are opposed to one another may take place in any circumstances.

" 11. Members of the Manufacturers' Association are bound, on the decision of the Conciliation Board (when the Board regards it as absolutely necessary) to lay their books relating to the dispute in question before the Presidents of both the associations concerned.

" 12. Should an employer apply for admission to the Manufacturers' Association, the first step must be to give notice to the Grinders' Union. If the Union does not inform the Manufacturers' Association within two weeks of any complaints against the employer in question, he may be admitted to membership.

" 13. Moneys accruing to the funds of the Conciliation Board will be devoted to the support of necessitous grinders, by resolution of the Board.

" 14. The right of making alterations and additions to the above agreement is reserved."

G. I. H. LLOYD

APPRECIATIONS OF MATHEMATICAL THEORIES.

III.

CONTINUING my retrospective survey of mathematical papers contributed to the *ECONOMIC JOURNAL*,¹ I come to Mr. Bickerdike's article on the "Theory of Incipient Taxes," published December, 1906. The article should be read with Mr. Bickerdike's review of Professor Pigou's *Protective and Preferential Import Duties*, with Professor Pigou's remarks on that review, and Mr. Bickerdike's rejoinder.²

Mr. Bickerdike has accomplished a wonderful feat. He has said something new about Protection. The novelty is perhaps not conspicuous in the first of the two propositions which constitute his thesis:—"That in pure theory advantage is always possible in normal circumstances from either import or export taxation when the taxes are small enough."³ This may seem at first sight to be a repetition of the doctrine which Mill and Sidgwick and Professor Nicholson have made familiar: that under certain circumstances a country may benefit itself at the expense of the foreigner by a customs duty. But it will be found that Mr. Bickerdike adds to our knowledge of the circumstances. He predicates advantageousness of a new class, "incipient"—or small finite—taxes. There is novelty also in his second proposition:—"In the case of incipient import taxes, the tendency to advantage is greater the more elastic the demand of the taxing country for the articles taxed." That demand, it is explained in the context, is more elastic when there is an untaxed home supply, that is, when the tax is protective. This is a division very different from Mill's, which expresses a generally received view:—"Duties on importation may be divided into two classes,

¹ See *ECONOMIC JOURNAL*, Vol. XVII. p. 221 and p. 524.

² See *ECONOMIC JOURNAL*, Vol. XVII. pp. 98, 289, 583.

³ The words which follow in the original, "except in one peculiar and unlikely case," are here omitted; for it will be argued in the sequel that this peculiar case is not merely unlikely but impossible.

those which have the effect of encouraging some particular branch of domestic industry, and those which have not. The former are purely mischievous both to the country imposing them and to those with whom it trades."¹ . . . "A protecting duty can never be a cause of gain, but always and necessarily of loss, to the country imposing it."²

Observing this contrast, the reader will perhaps modify his first impression, and, not denying that Mr. Bickerdike's doctrine is new, will begin to question whether it is true. But the appearance of extreme paradox will, I think, disappear upon further consideration. The opposition between Mill's received doctrine and Mr. Bickerdike's new thesis is not diametrical, as Mill was not adverting to the particular species of customs duties which Mr. Bickerdike characterises as "incipient." Mr. Bickerdike's second proposition, read with his first, is in keeping with the most recent results of the mathematical method applied to international trade. Thus Professor Pigou, in his *Protective and Preferential Import Duties*—published contemporaneously with Mr. Bickerdike's article—argues that in a certain case, which I might describe as that of an "incipient" tax,³ in Mr. Bickerdike's phrase, "the direct burden [incident to raising an assigned amount of revenue] under a protective can be proved smaller than that under a customs *plus* excise duty." He finds that "there is no general *a priori* presumption either for or against the imposition of protective duties as a means to raising revenue." "This conclusion," he observes, "is of course very different from the sweeping condemnation with which popular Free Trade theory envelops all proposals in any way tainted with Protection."⁴ I submit that free traders of the classical school have "the root of the matter," as Ricardo would say. In the balance of advantage they weigh the items of first magnitude. They "take care of the pounds." The pence which they neglect may as often occur on one side of the account as the other. But the balance would seldom be turned by taking account of the pence. Thus, on the one hand, it is little discredit to practical free trade that it neglects mathematical refinements; on the other hand, it is no presumption

¹ *Political Economy*, Book V. ch. iv. § 6, paragraph fifth from the end. Remote consequences such as the development of industries are not here in question.

² *Loc. cit.* antepenultimate paragraph.

³ Prof. Pigou's words, *loc. cit.* p. 31, are: "Where all second powers can be neglected, including the loss of the consumers' surplus on that part of the consumption which the tax destroys": as to which condition see below, p. 399.

⁴ *Loc. cit.* p. 32.

against Mr. Bickerdike's thesis that it appears unacceptable to free traders of the purely classical school.

As if addressing first those who are least disposed to accept his propositions, Mr. Bickerdike begins with an "attempt . . . to show, by general reasoning, that they are not opposed to common sense."¹ When he has gone as far as it is possible to go by the highway of purely verbal reasoning, he strikes into a track which is more arduous indeed, yet not unfamiliar, a mathematical method employed by Dr. Marshall in the *Principles of Economics*. When with the aid of this method our guide has come within sight of his conclusion, he makes for it by a direct path of his own construction. Let us follow him as he proceeds by these convenient stages.

I. *Pace* Aristotle,² a mathematician's appeal to common sense and ordinary probabilities is not inadmissible when he deals with applied mathematics and the application is to human affairs. Mr. Bickerdike's use of popular arguments would perhaps have been more persuasive if he could have found an illustration less quaint than the group of milkmen who are supposed to "agree that every time one of them sold milk he should make a contribution to a collective fund, in token of the fact that by putting his milk on the market he is doing something to lower the price of milk to the disadvantage of his fellows."³ But it is difficult to illustrate by domestic transactions the peculiarities of international trade. It has, indeed, in common with internal trade between non-competing groups, the essential attribute, exchange without mobility. But the *proprium* regional separation is attended with peculiarities that are hard to parallel. How else can we conceive as practicable that monopolistic power which a State exercises by its control of the transit over a boundary in space? Where else shall we observe the phenomenon of a level of prices in the transaction between members of a group raised or lowered by regulation of the transactions between members of the group and outsiders, some of the articles of which the price is thus affected being "non-exportable"?⁴

¹ ECONOMIC JOURNAL, Vol. XVI., *loc. cit.*

² *Ethics*, Book I. ch. 3.

³ ECONOMIC JOURNAL, Vol. XVI. p. 530.

⁴ As to the magnitude of this class the following opinion is expressed by Professor Taussig (in his article on "Wages and Prices in relation to International Trade," *Quarterly Journal of Economics*, August, 1906). "The quantity of such commodities is very great, and in all countries probably much exceeds that of commodities having a world range of price." For a different view see Marshall's *Principles of Economics*, Book V.

Whatever illustration is adopted, we must not expect to find any easy substitute for mathematical reasoning. It is very difficult, as Mr. Bickerdike observes, to give a convincing proof of his propositions by purely verbal reasoning. I have endeavoured, without success, to lighten the difficulty by following the usual method of illustrating problems in international trade, namely, constructing simple cases of such trade. It is worth while describing these tentatives in order to exhibit more clearly the points at which the new theory purports to be an advance on the classical doctrine. In order to minimise the difficulties connected with the use of money, I adopt Professor Nicholson's helpful conception, that of two countries whose mutual dealings are considered, one is large relatively to the other, so large that the level of general prices within that country is not disturbed by changes in the terms of international trade. If the theory in question—which has no connection with the relative size of the trading countries—cannot be proved by ordinary reasoning in this case, neither can it be so proved in general. Let the large country be "England" and the small one "Guernsey," these proper names being used, like Mill's "England" and "Germany," in a conventional sense abstracted from the actual facts of commercial geography. Let us begin by considering an extreme case, that in which one country has such a rigid sort of demand for the commodities imported from the other country, that, in Mill's phrase, "a certain quantity is all that is wanted at any price; and that when that quantity is obtained, no fall in the exchange value would induce other consumers to come forward, or those who are already supplied, to take more."¹ The conception implies, in virtue of the continuity attributable to laws of demand, that a small rise in the exchange value will not induce the consumer to take much less. We may refer the case to the third of Mill's "three possible varieties in the influence of cheapness or demand."² Or let us rearrange his three varieties so as to form two classes, namely, E (elastic), "the demand increased more than the cheapness," and I (inelastic), "less than the cheapness"; the intermediate variety "as much as the cheapness" being treated as a mere limit. Then one of our countries possesses the attribute I in an extreme degree. Let the other country belong to Class E.³

¹ *Political Economy*, Book III., ch. xviii, § 2, second paragraph from the end.

² *Ibid.* § 5.

³ The case in which both countries belong to Class I is not adapted to popular

First let the home country, that is, the country imposing the tax, enjoy the property E. For example, let England have a rigid demand of the sort defined for the early vegetables imported from Guernsey, but not so Guernsey for the metals, hardware, and other miscellaneous articles which she imports from England; what would be the effect of an export duty imposed by Guernsey? England would continue to take the same amount of early vegetables at a money value augmented by the tax; and the balance of indebtedness could only be restored by her sending to Guernsey a larger quantity of her own products (the price of which by hypothesis remains constant).

Now let Guernsey impose an import—instead of an export—duty. The duty will tend to check the amount of imports, and therefore their money value (Guernsey belonging to Class E). But England must pay for her imports of early vegetables, of which she will continue to take the same amount even if she has to pay more for them. The balance will be settled by England sending a greater quantity of hardware, &c., in return for the same quantity of early vegetables. But since the greater quantity of hardware, &c., has a greater money value (prices of English products being constant), the same quantity of early vegetables must have a greater money value; the price of early vegetables must be higher. But the producers of early vegetables being supposed, in abstract theory, to be in industrial competition with the producers of all other articles in Guernsey, the prices of all other articles, and in particular of labour, in Guernsey must rise. In the new equilibrium the national income of Guernsey, both real and nominal, will be greater than before;¹ the Treasury will obtain a net gain.

Similarly it may be shown that if England belong to Class E, Guernsey to the extreme form of I, England, by imposing either an import or an export tax, may draw to herself, as Mill would say, the whole tax.

Now let us reverse the supposition, and, the other data being the same, suppose that the tax is imposed by the country which belongs to Class I. For example, let England, having a rigid demand for the early vegetables of Guernsey, impose an import tax thereon. The whole of the tax would be paid by the English consumer. The result is virtually the same if an export duty

illustration, as it presents difficulties which can hardly be removed without the use of mathematics.

¹ It may be supposed that Guernsey has no other foreign customers but England, as Mill at first supposes with respect to Germany, and that the tax is a general one on all imports from England.

is imposed by England, England still requiring the same amount of early vegetables. In exchange for that amount of vegetables Guernsey is willing to take the same amount of hardware, &c., as before. But the prices of exported hardware, &c., will rise by the full amount of the tax (the prices of these English products being constant in England). In the new state of equilibrium the level of general prices in Guernsey will be higher than before. But Guernsey will derive no advantage from this circumstance, since the prices of the articles in her international market have risen in a corresponding degree.¹ The English consumers pay more money for the same amount of vegetables as before. The English Treasury gains as much as the consumer loses. England, as a whole, neither gains nor loses, abstraction being made of the *friction* incidental to manipulation of tariffs.

It might be expected that the proposition thus easily proved for a species of Class I could be extended to the class generally. But, as we recede from the limiting case of rigid demand, there becomes sensible an item which baffles the estimate of advantage to the taxing country, namely, the privation of those who are deterred from consuming the taxed commodity in consequence of the rise in its price.

Nor is the matter any clearer in the case which Mr. Bickerdike seems to regard as typical,² where both the countries belong to Class E, each having an extensible demand for the products of the other. It is evident certainly that the reduction of consumption consequent upon taxation involves privation to the consumer. It may be argued that a country which by a customs duty limits its supply to the foreigner obtains thereby some advantage. But is it visible to the eye of ordinary reason, unaided by mathematical instruments, that for taxes not exceeding a certain magnitude this gain exceeds that loss? Of course, the duty may be so high that, in Mill's words, "the trade and its advantage would cease entirely." The disadvantage certainly preponderates for very heavy taxes; but where is the proof that as we pass from heavy to light and ultimately nominal duties, the gain to the Treasury by the foreigners' contribution exceeds the loss in the way of privation to the consumer? Common sense and ordinary economics can discern nothing about a small tax except that it is small. "The only thing that can be said for it is that it is a very little tax,"³ as Lowe said about the registration duty

¹ On the supposition made in the last note.

² *ECONOMIC JOURNAL*, Vol. XVI., *loc. cit.*

³ Hansard, April, 1869.

on corn, when proposing its abolition. Something more could be said for it on Mr. Bickerdike's theory. But we have hardly begun the proof of that theory while we confine ourselves to verbal reasoning. We have not even got so far as the candidate at an examination in Euclid who pleaded that, if he had not proved the propositions set by the examiner, at least he had made them seem probable.

II. Mr. Bickerdike advances much further by the use of a construction which he borrows from Dr. Marshall. As this construction was originally employed to illustrate the "pure theory of domestic values,"¹ so the case of international values

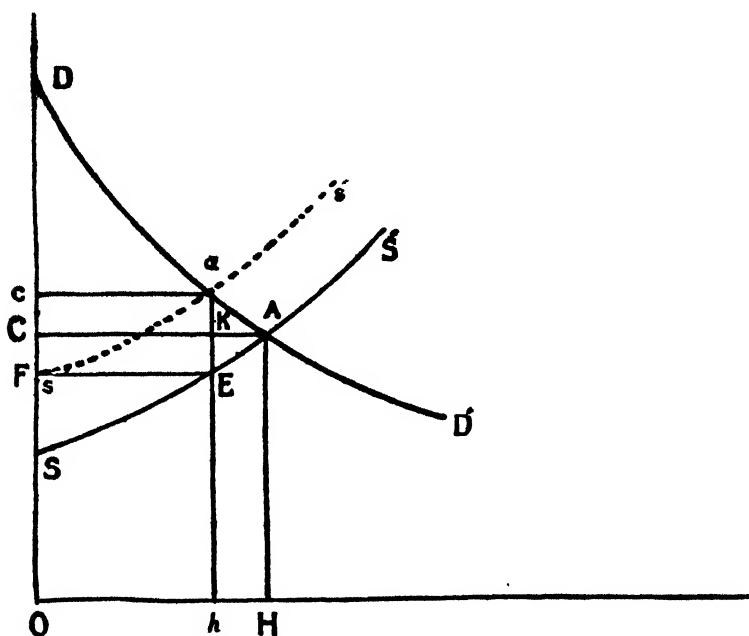


FIG. 1.

to which it may seem most appropriate is that which resembles domestic trade, in not requiring a change of price-level to be taken into account. Suppose, for instance, the "England" of the preceding section puts a small duty on the imports from "Guernsey," neither party urgently requiring to trade with the other. Let us begin with a supposition of this sort.

(A) It will be sufficient here to reproduce Dr. Marshall's diagram, and to refer the reader to Mr. Bickerdike's use of it in the *ECONOMIC JOURNAL*:² "Imagine that the tax is going to

¹ Pantaleoni, *Pure Economics* (translated by T. B. Bruce), p. 190.

² Vol. XVI, p. 533.

be spent for the benefit of the buyers. It is evident that they gain or lose on the whole, according as $CFEK$ is greater or less than AKa . If we imagine the tax to be made very small, $CFEK$ becomes a line, and AKa becomes a point, and there is, therefore, necessarily some advantage, provided that the supply curve SS' is not an absolutely horizontal line."

This reasoning will not commend itself to those who have learnt too well the formulæ of the classical text-books. The common or Cobdenite free trader will object that in consequence of the tax a certain quantity of the commodity will be produced under more unfavourable conditions than before, industry will have been diverted from its "natural" course into less productive channels. If he condescends to look at a diagram, he will fasten attention on hH , the amount by which importation is reduced, and triumphantly demand how the deficiency can be made good by the home producer without resorting to inferior methods of production. Nor is it easy to answer this objection without recourse to the theory of "margins." But it ought to be intelligible to those who understand that theory that, as the marginal workman and the marginal dose of capital are only just worth applying, so an additional workman an additional dose of capital, in excess of the margin of profitableness, are only just not worth applying. Now the added quantity of home production, a quantity of the same order as the amount by which importation is diminished, may be considered as the product of marginal doses of productive force; corresponding to an amount of profit which is small comparatively, compared with the tribute levied from the foreigner.

To the mathematician, of course, the principle that quantities of the second order may be neglected in comparison with those of the first order presents no novelty. But he is apt hastily to conclude that the whole theory, being *de minimis*, may for practical purposes be neglected. It may be well, therefore, to exhibit the character of the reasoning at some length.

Mr. Bickerdike's theory involves an important principle in that branch of mathematics which is most applicable to human affairs, the Calculus of Probabilities grafted on the Calculus of Variations. The principle may be enunciated with sufficient accuracy as follows:—When a variable magnitude is in the neighbourhood of a maximum, the increment of that variable corresponding to a small finite increment of a variable on which it depends is likely to be particularly small.¹ A familiar example

¹ More exactly: if y is a variable depending on x , both variables being positive, and when $x=x_0$, y has a maximum value, viz. y_0 ; then commonly and

is afforded by the length of the day as dependent on the time of the year. In Whitaker's Almanack you find that, day after day for eight days in the neighbourhood of the summer solstice, there is no change in the length of the day measured by the interval between the time of the sun's rising and that of his setting; while in other months there is a difference of two or three minutes from day to day. More precise astronomical examples of the principle may be found in the Nautical Almanack. Here the following homely illustration may suffice. Let there be a flight of steps shaped like an arch—as an iron bridge is sometimes constructed. If the steps are all of the same length, the height becomes smaller as the summit is approached. Say the radius of the (circular) arch is thirty feet, and the (horizontal) length of each step is a foot; then the (vertical) height of the step nearest the summit will be about a fifth of an inch; at a lower point, where the slope of the arch is 30° , the vertical height of a step will be more than half a foot; it is a whole foot where the slope of the arch is 45° .

The principle may well be of importance in utilitarian philosophy in cases where the very best is the enemy of the very good. The economic application of the principle takes the following form:—A *small* change of an economic variable quantity at the margin¹ commonly causes a *very small* change in the corresponding surplus. As we are concerned here both with Consumers' and Producers' surplus, we may take an example from a species of the latter class, the profits of a monopolist. The numerical instances given by Cournot² at the end of his chapter on monopoly will serve our purpose; for, as he framed them, *aliud agens*, they may be regarded as random specimens with respect to the present object. It is allowable also to substitute in his examples a tax for an increase in the cost of production.

In his first example the price of the article before the tax is 20 fcs., and the profits of the monopolist are the fortieth part of a sum designated by the symbol a ; say, profits = 25,000 fcs., probably, a finite positive quantity a can be found, such that for any quantity a not greater than a

$$y_0 - y_{\Delta x} < y_a - \Delta x - y_a;$$

where Δx is a small finite difference ($< a$); the ratio of the first member of this inequality to the second becoming smaller the smaller Δx and the greater a is; and this proposition may be extended *mutatis mutandis* to the cases of negative increments and of negative variables, to the case of several variables, to minimum values, and other cognate cases.

¹ As to the sense in which the term is here employed, see the article "Margin" in Palgrave's *Dictionary of Political Economy*.

² *Principes Mathématiques de la Théorie des Richesses*. Art. 34.

putting $a = 1,000,000$. According to the assigned relation between price and quantity demanded,¹ when a tax of 2 fcs. per unit of commodity is imposed, the price rises by a slightly greater amount, the new price being nearly 22·1 fcs.² The loss of profits due to this rise of price—irrespective of the tax, not taking into account that the loss is incurred to avoid a greater loss through the tax—is nearly 124 fcs.³ The same change of price at a distance from the point would produce a greater change in profits. A price of 30 fcs., for instance, would afford a profit of 23,077 fcs.; but a rise of 2·1 fcs. in the price will reduce the profits by some 636 fcs., greater than the loss of profits due to the rise of prices from 20 to 22·1, viz., 124 fcs. That loss is small compared with the proceeds of the tax, viz., 2,251 fcs.⁴ The disparity would be greater if the tax and the consequent change in price were less. For instance, let the tax be 0·2 fcs. The additions to the price will then be nearly 0·201. The loss of surplus due to this rise of price is 1·3 fcs.; while the yield of the tax is 247·5 fcs. Similar verifications may be obtained from Cournot's next example.⁵

A case of two variables is presented by an instance of monopoly which I have given elsewhere with a different object in view.⁶ The price of a first-class ticket for passengers on an imagined railway being £4 10s., for a third-class ticket £2 6s. 4½d. (nearly), a tax of 17s. 10½d. per ticket is put on first-class tickets. The consequent loss of profits to the company through the diversion of travellers from the first to the third class is £200. The yield of the tax is £16,009 12s., some eighty times greater than the loss of receipts. The disparity between the yield of the tax and the loss of receipts is much greater when the tax is smaller. When the tax is (a little more than) 2d. per first-class ticket, the loss of receipts is 1s. 8½d.⁷ The yield of the tax is £171 7s. 7d.; nearly two thousand greater than the loss of receipts.

What these illustrations illustrate is the probable smallness of that loss of surplus which is attributable to change of margins consequent on the tax, comparatively with the yield of the tax. But what we have to prove is that the loss of surplus is small

¹ $F(p) = \frac{a}{b^2 + p^2}$, where p is the price, $F(p)$ the amount demanded at the price; $b = 20$.

² More exactly $2 + 20 \times 1.00498756$. See the English translation, where an arithmetical mistake made by Cournot is corrected.

³ $1,000,000 [0.025 - 22.1/(400 + 22.1^2)]$.

⁴ $1,000,000 \times 2/(400 + 22.1^2)$.

⁵ It will be found convenient to assign the new *price*, and thence find the tax requisite to produce the rise of price.

⁶ *ECONOMIC JOURNAL*, Vol. IX. p. 290 *et seq.*

⁷ *Loc. cit.* p. 292.

comparatively with a part of the yield, namely, that part which is levied on the foreigner. For this conclusion there is required an additional premiss: that the proportion contributed by the foreigner is sensible, considerable as compared with the ratio of the lost surplus to the proceeds of the tax.

It follows as a corollary that the privation consequent on the imposition of Customs duties tends to be smaller with respect to (a) the proceeds of the taxation, (b) the portion of it contributed by the foreigner, the greater the number of objects over which the taxation is spread.¹

(B) So far the level of prices has been supposed undisturbed.² We go on to the general case, in which the change in the value of money within the home country cannot be neglected. Let us begin with a simple instance already adduced. England, having an urgent—perfectly inelastic—demand for goods imported from Guernsey, while Guernsey has not an urgent demand for English goods, Guernsey imposes a duty on imports from England.

In Fig. 1 the supply curve SS' now becomes a horizontal line, since by hypothesis the price of the English product is constant, the English producer being prepared to supply any amount (that Guernsey can want) at that price. When a tax of so much per cent., or, what comes to the same in this case, a specific tax, is imposed by Guernsey, the level of prices in Guernsey, as above shown, rises by the assigned percentage. A new demand-curve is formed by adding that percentage to each ordinate of the old demand-curve. This new demand-curve, say dd' (not shown in the Figure), may meet ss' , the supply-curve (now a line), raised to the extent of the tax, in a point which indicates that there is no loss of consumers' surplus, as if the consumers in Guernsey now take as great a quantity of hardware, &c., as before, and pay for it the same price in vegetables—if the expression is allowed—that they would have been willing to pay before, while their willingness to exchange vegetables for hardware, depending on the real relations between the supply of and the demand for things, is not affected by a change in the pecuniary measuring rod. There is then a net gain for the Guernsey Treasury.³

If the demand of England for early vegetables is not per-

¹ Proposition (a) was stated by me (with reference to taxation in general) in an article on the "Pure Theory of Taxation," *ECONOMIC JOURNAL*, Vol. VII. p. 568.

² See above, p. 398.

³ Some modification of these statements is required if it is conceived that the Treasury employs its new purchasing power in obtaining from England hardware, &c., to be distributed in Guernsey.

fectly elastic, we have no longer the datum that the level of prices in Guernsey will rise to the full extent of the tax. Still, it is easy to see that the theory holds in the neighbourhood of the limiting case which has been considered. Advancing from that limit, we may get far on the way to a general proof. We may get further by ascribing to the home country a currency peculiar to itself. But this is to take a leaf from that stricter demonstration for which this method is but a makeshift.¹

¹ Cf. Bickerdike, *ECONOMIC JOURNAL*, 1906, p. 535.

(To be continued.)

RAILWAY NATIONALISATION IN ITALY.

It would be a serious error of judgment if we were to liken the recent nationalisation of railways in Italy to an analogous action undertaken by a State in which the railways had been developed by the free initiative of private companies, as is the case in England, or in the United States of America. In Italy, from the time when Count Cavour, commencing at Piedmont, had the first main railroads constructed at the expense of the Treasury, the direct intervention of the State in railroad construction was made a tradition. In our country many lines have been constructed directly by the State, many have been handed over by way of concessions to private enterprise, with subsidies more or less considerable. Only a very few have been constructed by industrial companies at their own risk.

Nor could it well have been otherwise. Our railways call for a great outlay in their construction, the country being largely mountainous; they are very costly to keep up; they yield but scanty returns. Had a company undertaken at its own risk the whole of our railways (10,000 miles), it would, after an outlay on construction of 6,000 millions of lire, be receiving an annual revenue of about 400 millions, little more than enough to cover the working expenses. In fact, at the present day the railway debt constitutes, in the Budget, an annual burden of 200,000,000 lire. This, nevertheless, does not dissuade us from constructing new lines, convinced as we are that, without the sacrifices we have made to create an expanded railway system, we should not have been able to attain the economic advantages which our country to-day enjoys.

When on July 1st, 1905, the State took over the entire administration of the railways, it already owned 8,500 of the 10,000 miles of lines. There are only 1,500 miles of secondary lines in the hands of private companies. The contract made by the State in 1885 with three companies (the Adriatica, Mediterranean, and Sicula railways) was only a taking over of the working of the line. It was, in other words, a location contract,

an imitation of what then existed in Holland. Owner from that time of practically all the railways,¹ the State divided the gross railway returns with the conceding companies. The proportion received by the companies in compensation for the working expenses was 62·5 per cent., the State took 27·5 per cent., and the remaining 10 per cent. was devoted to certain reserve funds for providing fresh plant, for acquiring new rolling stock, for extraordinary repairs, &c. There were, however, several secondary pacts, by which a part of the share falling to the State was absorbed.

To compel the companies to issue a security, it was judged that they had acquired the rolling plant at 265,000,000 lire. On this sum, which subsequently swelled to 400 millions, the State paid interest to the companies. When the contract expired, the State took over the materials, paying the 400 millions. Hence, from the financial point of view, the conveyancing of the working of the railways has been of no importance whatever.

But what has induced the State, which in past time and with smaller lines administered them itself with poor results, to come round to this system? Let us briefly examine why.

The Conventions of 1885, which had been prepared with great care after an inquiry lasting over some years, had produced from one point of view useful results. The companies had improved the working of the lines and developed the traffic. But the contracts were so complicated that serious disputes between the State and the companies were inevitable. It had been provided so as to eliminate any doubt as to who should bear the burden of new works, that any outlay of this sort should be defrayed by the reserve fund of 10 per cent. of which I have spoken, but that, in case of diminished production, that title would be insufficient, and the State, as proprietor, would have to make good the deficiency. This, as was natural, did not come about without ructions and disputes.

To the public were conceded, at the Treasury's expense, reductions in rates, which the companies, devoted to their own interests, repudiated. This naturally infused a hostile feeling against the companies into public opinion, the more so in that the Government, although it had no contracting rights permitting it to concede ordinary reductions in the rates, upheld those reductions against the companies, were it but to gain popularity. Many questions of this kind were settled

¹ Special prices were accorded to the lines which were not yet owned by the State, and which have since been redeemed.

by way of the State grant, with which the companies had to be compensated to the amount of the difference between the rates established by the contract and the figure to which these had been reduced at the request of the Government.

But it is possible that these difficulties might have been met by modified treaties, rather than by choosing nationalisation (to which many of our most respected politicians and economists were stubbornly opposed), had not still more serious disputes arisen on account of the railway employees. When the latter demanded to the companies to be better paid, they took their stand on rights pre-existent to the Conventions of 1885. A large proportion of the instigators had been in the employ of the State administration, and the State could not repudiate their claims. Concessions were granted at the charge of the Treasury, but even they did not avail to prevent a strike, the effect of which was a resolution not to renew the contracts with the companies. It seemed, for that matter, that the employees, who were strongly opposed to private management and declared upholders of State control, would have desisted from agitation, and would, in any case, have felt the stronger rein of a higher authority.

I wish to add that, among political parties, the Liberals and, still more, the Socialists, declared in favour of State control; the public also wished for it, in the hope of their interests being better consulted by way of improved service and reduced rates. And generally it should not be forgotten that, in taking this step, our country has followed a tendency common, at the present time, to wide currents of public opinion in other countries. If we are not mistaken, the desire to withdraw the railways from private management, which seem to be an obstacle to the fruitful development of this indispensable means of economic progress, is becoming ever more intense and more extended.

From what has been said it will be understood that the State undertook its task without any serious preparations. The Bill instituting the transfer, and organising the new management in a provisional manner, became law only two months before the contracts expired. And for some years, during a reign of uncertainty, neither the companies nor the State had taken care to provide for the needs of the railways. No new works had been carried out at the stations; old materials had not been renewed; rules and regulations were neglected. It was a pitiful legacy that the State, without due preparation, entered upon July 1st 1905.

But meanwhile a period of contraction in Italy was followed by an extraordinary resumption of activity. The successful development of industrial production in the rich districts of Lombardy and Piedmont brought about a remarkable increase of traffic. The International Exhibition at Milan, held to celebrate the opening of the Simplon tunnel, attracted a great stream of travellers. It was only to be expected that the new State management of the railways would not be in a position to cope successfully with this unforeseen increase in demand. Through the hurried and various changes of office, the service became so disorganised as to give rise to a genuine crisis, which lasted from the last months of 1905 to the first months of 1907. Trains were much and continually behind time, and goods were not transported from the docks for lack of trucks. Practically all the chief stations, both in the interior and at the frontiers, suffered from congestion. The foreign Press, especially in England, whence come so many travellers to visit our fair country, drew attention to the abnormal condition of our railways. The public, at meetings and committees, rose against the railway administration, accusing it of incapacity, and suspecting finally the directors of being in league with the companies which, according to some, were holding themselves in readiness to renew the contracts with more favourable conditions once the State control had proved a failure. The bad service gave rise to a new word: "*disservizio*", implying the general disorder in railway management.

To-day, the crisis over, we can afford to look back with serenity and judge dispassionately. We cannot in fairness put the inconveniences we have undergone down to the State. Even had the transition been inverted, that is, from State control to private management, an increase of traffic coinciding with the inevitable weakening in the administrative organisation, during the process of transformation, would have produced the same effects. For that matter everyone knows that a crisis in transport service has recently taken place in many European countries, and even in America. All railroad management has, more or less, been caught unawares by augmented traffic during the last few years, even though economic science has not remained ignorant of such periodical oscillations in the course of business.

But it behoves us to confess that this unfortunate coincidence has greatly injured the nascent institution. In a country like ours, with a Parliamentary constitution, State management of railways is liable to many dangers, and should properly have

been invested with some prestige in the eyes of the people from the very beginning. Instead of this, its want of success at the outset, however much this was explicable by external reasons, has caused many to doubt whether our country was ready for so important a reform. These doubts have been strengthened by the fact that the financial consequences in the first instance have been anything but satisfactory. No doubt a favourable Budget cannot be looked for from a period of crisis and disintegration. But many have noted a large increase of employees and a greater number of trains. These are the specific defects in State management, to wit, a facile conformity to demands for new plants and new commodities, with too little vigilance paid to the financial consequences. And this is because those who preside over the administration are not interested in good returns from the business. Pessimists see in these first results—to put it plainly—a tendency to what we may call idiomatically “gay finance” (*finanza allegra*). They fear its disastrous reaction on our national Budget, which may to-day be in stable condition, but which is always drawn fine, and hence susceptible to even slight variations in the distribution of expenditure. In a summary sketch like the present, which aims only at giving a general idea of the situation of our railways, I must needs be chary of figures. But for the benefit of readers who are fond of them, I append a few data on income and expenditure under private and under State management.

	1904-1905. ¹ (Private management.)	1906-1907. (State management.)
Income	Lire 348,265,275	Lire 430,910,776
Expenditure.....	„ 282,687,078	„ 380,140,183
Balance.....	„ 65,578,207	„ 50,770,593
Coefficient of management ..	0·81	0·88

¹ Our financial year is from July 1st to June 30th in the succeeding year.

It will be seen that, although the gross proceeds have increased, the net profit is diminished, because of a proportionate increase in the expenditure. The latter is largely due to increase in the staff. At the end of 1904, 105,692 persons were employed on our railways; on December 31st, 1906, these had been increased to 128,122.

A second table will serve to give an idea of the development of Italian railways in the last twenty years (the figures refer to every fifth year):—

Management during	Proceeds.	Increase.
1885-1886	Lire 207,922,670	—
1890-1891	„ 241,541,077	16 per cent.
1895-1896	„ 247,496,615	25 „
1900-1901	„ 294,855,234	19 „
1905-1906	„ 382,173,071	29 „

The quantity of goods transported amounting, in 1903, to 20 million tons, had, in 1907, risen to 30 millions.

These things being so, it is my opinion that no definitive judgment can as yet be arrived at respecting the State management of our railways, inasmuch as its commencement has taken place under entirely exceptional circumstances. But at the same time I maintain that, for a Parliamentary Government to carry on public works of such importance, is a task of consummate difficulty, and one that calls for exceptional discretion. If that State management shall succeed in establishing and organising itself, we shall have the right to say that our country has won a great victory. But to-day we have yet a long way to go.

One thing worth studying in a State system of railway management is the creation of the administrative staff responsible for that management. I will therefore briefly describe how we have constituted our railway executive administration.

We have devoted our attention chiefly to autonomy of administration, whether for the purpose of withdrawing the latter from political interference, or in order to free it from all those fetters which, in our country, hamper and hinder State action. The Act of July 7th, 1907, in which the railway organisation is definitely formulated, entrusts the direction of the Executive to an Administrative Council, presided over by the Director General. This dignitary is independent of the Minister of Public Works, the latter having only the right of supervision of railways, but he retains, with respect to Parliament, the responsibility laid on him by the Constitution of the country. Hence the Minister may not order the appointment of a new train, or the carrying out of any works. He can only oppose his *veto* to a vote of the Council which may be contrary to the laws or to the interests of the State.

The Administrative Council is composed of eight councillors besides the Director General. Of the eight, two are selected from Government railway officials, three from the officials of other Government administrative bodies, the remaining three from citizens who have given proof of high technical or administrative capacity. The Councillors with their Director are appointed by royal ordinance; their tenure of office is incompatible with any kind of Parliamentary career; and, with the exception of the two first described, they may not hold office for a longer consecutive term than two years.

The duties of the Council are the regulation of the various

services, the discussion of finance, the adoption of undertakings and contracts, the authorisation of lawsuits or the sanctioning of transactions, the approving of conventions for industrial registration, exchange, and hire of rolling plant, services performed jointly with other companies, and the like ; the discussion of the organisation of the employees, of names, of exemptions, of serious penalties incurred by employees.

The Director General, who is the legal representative of the administration, may sanction undertakings and contracts of minor importance (incurring an outlay of not over 50,000 lire), where settlement is urgent.

The financial control of the exchequer (*Corte dei Conti*), according to our laws, is of a preventive character, that is to say, it should be exercised prior to an outlay being made. It has been restricted to cases where the outlay is upwards of 50,000 lire ; besides which other facilities have been effected in so far as concerns the provisions of contracts in purchasing goods or labour, which are surrounded by our " general laws " with minute stipulations.

There has nevertheless been instituted a *permanent Parliamentary Board of Vigilance*, consisting of six senators and six deputies from their respective Houses, who are charged with the control of the entire procedure, and especially of the financial measures of the executive.

There is, further, a *General Traffic Council*, on which are representatives of all public administrations interested in railways—the War Office, the Navy, the Post Office, and the Telegraphs, Agriculture and Commerce, Finance, Treasury—together with the Chambers of Commerce, the Agricultural Councils (*Comizi Agrari*), minor railways and tramways, and which is partly composed of six members selected from experts, technical or legal, in railway matters, besides representatives of the Press and of the railway staff. This Council is convened to judge respecting all questions of tariffs, such as raising or lowering prices, naming and classification of goods, or interpreting the conditions in the transport contract.

Such is the edifice, and it is well constructed. But we must wait and watch it at work for some years, before we can judge whether it answers really well. For my part I cannot believe that it will ever attain autonomy in a political sense. The Minister will always have a great moral authority over the Administrative Council. He knows that what he expresses as wishes will by them be accepted as commands. The day on which the Council

refuses to comply with some request of the public which is at variance with financial interests, and when the Minister, for political reasons, supports that request—on that day the Council should either submit itself or dismiss itself.

On the other hand, there will be, I believe, good play of the tendency to secure greater liberty for the Executive in outlay, enabling them to come up to commercial mobility and promptness, and to throw off the proverbial sluggishness of our State administration. As a fact they have already been able, with remarkable zeal, to provide for the construction of new stations, and to purchase new rolling stock, utilising the sum of 910 million lire, put at the disposal of the State railways by recent Acts of Parliament. As has been said above, railway traffic has greatly developed, and measures have been called for and made to place the railways in a position to meet the growing need. Parliament has not hesitated to make the necessary sacrifices with the full consent of the country.

I am not in a position to offer the reader a definite opinion on the situation, and trust this will not be accounted to me for unrighteousness. The railway problem is a stiff one for every nation, and should of necessity be yet stiffer for Italy, where railway making started late, and where every imaginable obstacle has been encountered, from those thrown in her way by a varied and mountainous Nature, down to others depending on the unequal distribution of traffic in districts where nevertheless equal treatment is desired. To all these it may be added that our administrative constitution is yet young, and hence not yet adept at equating the not always measurable exactions of the public with the requisite heed to the depth of the exchequer.

For the exchequer is the greatest difficulty in State control of railways. Never can we err on the side of excess in holding up this fact to the attention of our political governors, and of those of such countries as are desirous of superseding private management by a more direct national control.

Milan.

F. TAJANI

REVIEWS

Essentials of Economic Theory as Applied to Modern Problems of Industry and Public Policy. By John Bates Clark. (New York : The Macmillan Co., 1907. Crown 8vo. Pp. xiv., 566.)

STUDENTS of philosophy are tolerably familiar with an objection raised against their speculative inquiries by those who urge that, as every fresh system advanced in turn begins with criticism of the main points emphasised in the preceding system, and ends by laying stress on considerations previously ignored or underrated, the lapse of a period of time sufficient to allow of a full revolution of the wheel of thought will generally bring men back to the original point from which their intellectual journey started. The subtleties of metaphysics have, at any rate, been often subjected to this reproach; and the charge has received support from plausible, if not convincing, illustration, although the reply may have been returned that no later system is so completely identical with the earlier system it resembles as to be merely reproduction, and that it must constitute in some sense an advance on all that has gone before. We can conceive that impatient readers of the difficult but interesting volume now before us may arrive in haste at a conclusion similar to that advanced by such hostile critics of the periodic varieties of philosophic creeds, and that it will be found on closer scrutiny no less impossible to justify, at any rate to the full extent to which it has been put forward.

Such readers, we are sure, however hurried and perfunctory be their perusal, will not deny that the consecutive argument which Professor Clark pursues through many ramified developments is ably reasoned and persuasively presented. It would be strange indeed if so accomplished an economist, whose repute for nice discrimination and fine logic is established in his own country and elsewhere, had fallen in these respects below the exalted level of his previous book. The dialectical atmosphere in which

he had then moved was, it is true, rarefied; and the intellectual fare provided here might perhaps be "caviare to the vulgar." Of that book on the "Distribution of Wealth," the present volume is in a sense the promised sequel. It should, however, be noted that it is characterised expressly by the author as a "brief and provisional statement" of the "more general laws of progress," which he had intended to examine. In the earlier instalment of his work it will be remembered that he dealt with what he there described as those "static" problems which, he tells us in the Preface to this book, were the chief concern of the "Political Economy of the century following the publication of the *Wealth of Nations*." It was thus, he observes, that the older writers sought to discover and announce the "natural laws" of wages, interest, and value. He does not now complete his task; but he has endeavoured to "make a modest beginning" in the formulation of the contrasted laws of "Economic Dynamics." These the earlier economists hardly perceived; and, with the single conspicuous exception, to which he draws the notice of his readers, of Malthus writing upon "Population," they certainly did not endeavour to embody such conceptions in a consistent systematic scheme of economic theory. Yet these laws, he himself correctly states, are necessary to a completed system; for "industrial society is" now "going through an evolution which is transforming its structure and all its activities." To a preliminary essay in this fresh direction he accordingly devotes here his capacity and zeal; and even the unfriendly critics we have mentioned will, we think, be ready, if they be candid, to acknowledge the compelling force of the general reasoning of his book.

Nor, if they pay to the several chapters the close attention they require and deserve, will they fail to notice and appreciate differences, whether they be slight or more important, distinguishing the statement of particular economic theories here set forth from the form in which they have been usually expressed by previous writers, on this side, at any rate, of the Atlantic. But nevertheless they may possibly declare that the final conclusions reached by this most modern of American economists recall those so-called "economic harmonies" on which, many years ago, "orthodox" English teachers of the Ricardian school were wont complacently to dwell. If, therefore, they assert that a practical moral with which they have for a long time been familiar in old treatises reappears in this new book, dressed in the refined language of the minute development of nice theory, they will not, we suspect, be easily gainsaid.

For what is the main thesis of this fresh contribution to economic literature? Unless we have mistaken the whole purpose of the subtle and suggestive reasoning here employed it is the exhibition in varied situations of the beneficent effects of competition on society at large, and of the pernicious consequences which will inevitably ensue from serious or continuing hindrance of its potential or direct free action. In a perfect condition of affairs, as we understand, those "static laws," which Professor Clark expounded in his earlier volume, would be fully realised; and, to quote his very words, the "first purpose" of this later work is to "show the presence and dominance in the real world of the forces" which were there described. "Even while changes are examined the fact," he states, "is perceived that there are steadily at work forces, which, if change should cease, would make society conform to a certain imaginary static model." In that event the "profits" of the "entrepreneur," which our author uses in the sense now generally adopted by American writers to denote a "purely commercial gain, or a difference between what is paid for something and what is received for it," would wholly disappear. This "residual" element removed, which seems by contrast to be arbitrary in character and irregular in size, depending upon chance rather than on law, the remuneration of the other agents of production would, in Professor Clark's conception, harmonise with ethical ideals of distributive justice. For "every unit of labour would get what it produces—no more and no less." And "the interest on capital is," he declares, "fixed exactly in the same way as are the wages of labour"; for both wages and interest are determined "at the social margin of production." In other words, they "equal what labour and capital respectively can produce by adding themselves to the forces already at work in the general field of employment." In these ideas of the laws governing the shares falling to interest and wages, the American economist, it will be obvious, is in broad agreement with the more recent development of economic theory on this side of the Atlantic. But he goes, we imagine, somewhat further, although he is in accord with the trend of the latest American thought, in his general view of rent, or at least in his particular statement that the "true conception of rent is that of the specific addition which land makes to the product of other agents used in connection with it." Yet it will be noticed that the "formula" of rent, which he thus adopts, fits exactly into the general conception of an economic harmony. For rent is the "amount of product specifically attributable to the land." And thus, regarded from the standpoint

of ethical justice, no less than economic force, land, labour, and capital would seem to be placed on the same level, and rent, interest, and wages would correspond alike to the just remuneration due to these respective agents. So far as "statical laws" are concerned, the elaborate refinements of the nicest and most recent theory would accordingly bring us back under Professor Clark's firm guidance to something like the avowed position of the old orthodox economists of the straitest English school.

Nor does the application of his theory to modern problems of industry and public policy, which occupies the later chapters of his book, reveal any marked departure from this standpoint. The problems, to which he turns his attention here, are those connected with the growing power of trusts, with the regulation of railway rates, with the organisation of labour, with the protective tariff, and with the probable effects of currency changes. The treatment given to the last of these questions is, by comparison with that accorded to the others, somewhat slight; and in the matter of protection Professor Clark is sensibly affected by his American environment. For he combines with a reasoned objection to an "abnormal" quantity of protection the frank avowal that "it would be hard to deny" that much of the "increase in productive power, which the originators of the protective system anticipated, has been practically realised." He finds, indeed, a satisfactory solution for himself in the statement that "the static argument for free trade is unanswerable and the dynamic argument for protection, when intelligently expressed, is equally so," while the "two arguments do not meet and refute one another, but are mutually consistent." In this case, then, the contrast between "dynamic" conditions and "static" law is emphasised, and more weight perhaps is even given to the former than the latter in Professor Clark's own mind. Similarly, in his consideration of the functions of trade unions, and of the place of arbitration in industrial disputes, he allows the usefulness, and acknowledges the necessity, of "collective bargaining," and he holds indeed that an arbitration which would "establish rates" giving the workmen the benefit of every legitimate advantage, that collective bargaining would yield, would secure a close "conformity to the normal standard of wages." But in this instance his justification of such bargaining, and the arbitration which would take its place, rests essentially on his firm belief that unorganised labour will fail to obtain the remuneration to which it is entitled by a "static" standard. For wages should, he maintains, be regulated by the productivity of labour, and the individual unassisted labourer cannot reach this goal.

Accordingly, when he turns his close attention to the conduct of trusts, and to the regulation of railway rates, we are not surprised to find that he attributes the mischievous results which are discovered in existence in the actual world to the presence of monopoly, and to the corresponding absence of free competition. With no small acumen he points out the special circumstances which affect the settlement of transportation charges—such as the partial utilisation of railway plant, the exceptional importance of the fixed as contrasted with the variable expenses, and the powerful inducement offered to combination between competing undertakings; and with judicial and adroit discrimination he explains the remedial action which is alone possible in these particular conditons. But, in the case of trusts generally, he has no hesitation in recommending drastic action by the State. "Regulation of monopolies," he declares emphatically. "we must have; that is not a debatable question." Yet, after all, he contends that, though in the process, "we are forced to ride roughshod over *laissez-faire* theories, we do so in order to gain the end which those theories had in view, namely, a system actuated by the vivifying power of competition with all that that signifies of present and future good." It is, in his opinion, monopoly which "perverts" the forces of progress; and it is "potential competition" which will hold monopoly "firmly in check." Where accordingly competition is infirm or non-existent the interference of the State is imperatively required; but it is required to secure the very object which competition would produce if only it were free to act. To some critics this would surely seem a tame, while others might regard it as a trite, conclusion.

And so in the background of a "dynamic" society the "static" laws are ever present, according to Professor Clark's belief; and reformers' efforts should be addressed to the removal of that economic friction, hindering their action, which is found chiefly at the present day in the malign form of monopoly. The general changes which are going on, and taking shape in an increase of population, an accumulation of capital, an improvement of technical methods, and a more complete and elaborate organisation of productive establishments, would, he urges, work undoubtedly for good and not for evil, and would tend to the equitable enrichment of all classes, were these "static" laws given full sway. And he is careful to point out that some of these beneficent laws are in operation independently of the existence of society; for primitive man, living in "Crusoe-like" isolation from his fellows, would, he argues, be affected by the law, for instance,

of diminishing productivity. Such is his general thesis. It may appear not dissimilar in essential characteristics from the "economic harmonies" which entered so largely as a moulding force into the earlier conceptions of the orthodox economists of this country, but Professor Clark certainly contrives to place old theories in a new setting and to add fresh material to existing stores of economic reasoning and speculation. He rarely, if he ever, fails to stimulate the instructed reader to opportune reflection by the ingenious aperçus which he affords of new developments of subtle thought. He may conduct, indeed, to an old, old familiar standpoint; but he leads us there by an untravelled and by no means obvious route, where we have need at every turn of his strong impelling guiding hands.

L. L. PRICE

New Worlds for Old. By H. G. WELLS. Pp. v+355. (London: Constable, 1908.) 6s.

IN these days of the historical spirit no educated person imagines that existing institutions will last for ever. Change has gone on continuously in the past, and it is absurd to suppose that we have reached the end. Economic organisation especially changes so rapidly that it requires no elaborate investigation to detect considerable changes in the short period which carries a man from his first youth to middle age. Can we discover any general tendency in the changes of which we have read or which we have seen? Most of us who have thought about the subject at all believe that, at any rate, one great feature in recent changes has been the substitution of the conscious co-operation of large bodies of persons for the isolated action of individuals or small family groups each serving their own interests either directly or by way of exchange with other individuals and families. Most of us, too, believe that this feature is not a mere passing phase, but is destined to continue—we do not quite know how long. The facts are scarcely in dispute. What we quarrel about is the proper attitude to adopt towards this feature of change. Are we to regard it as progress leading in the future to (or towards) a glorious ideal, or as retrogression leading eventually to catastrophe or reaction? We have, of course, at least one other choice: we may take refuge in agnostic opportunism and say that we do not and cannot know the far future, but can decide what is best for the particular moment, and ought to be content with that, and not be biassed in our decisions by hopes or fears as to "what all this is leading to."

Mr. Wells takes the first of the three courses. He calls himself a Socialist, and wishes to convert others to Socialism. As might be expected, his sermon is more effective than most of those delivered by his party. Having more of the true historical spirit, he is ready to admit that the present is better than the past, and that in order that the future may be much better, it is necessary that the minds and bodies of men should be changed. He puts this improvement in the forefront instead of assuming that it will come about of itself if only we carry out certain changes in our arrangements with regard to the control of material things. I doubt, however, if he will make converts by the ten thousand. Though he has taken up modern weapons, he still encumbers himself heavily with the old. He cannot persuade himself to dispense altogether with the usual diatribes against profit-seekers and such-like bogeys of the ordinary Socialist. It is, I should say, a hopeless task to attempt to convert the ordinary anti-Socialist by these means. What is the use of trying to hold up "private enterprise" to odium because the South Eastern and Chatham Railway Companies serve the public badly *and* make no profits? The claim on behalf of the system is that it gives profits to people who do serve the public, and want of dividends to railway companies which manage badly is a point in its favour, not a point against it. What person of ordinary intelligence is likely to be affected by the cheap comparison suggested in the following passage :—

"Nobody who travels to London as I do regularly in the dirty, overcrowded carriages of the infrequent and unpunctual trains of the South Eastern Company, and who then transfers to the cleanly, speedy, frequent, in a word 'civilised,' electric cars of the London County Council, can fail to estimate the value and significance of this supersession of the private owner by the commonweal."

Did not electric tramways come from profit-ridden America? Is not the history of the way in which the introduction and improvement of tramways has been impeded by the "community" acting through the Law Courts, Parliament, town councils, towns' meetings, and plebiscites a thing of which any Socialist ought to be ashamed? The courts decided that tramways were a nuisance, and that local authorities could not allow them without Parliamentary sanction. Parliament put almost every imaginable obstacle except absolute prohibition in the way of local authorities or companies constructing them, and succeeded in making England the most backward country and London the most backward

town of any importance in the civilised world. "Speedy," says Mr. Wells! I observe that "as I do" in the passage quoted above refers only to the South Eastern. I cannot think that if Mr. Wells travelled regularly in the "L.C.C." (why not County of London?) cars he would say much about their speed. It is true that the extraordinary slowness is due to State regulation of speed and to an inefficient State police which allows every ill-conditioned carter to take half a minute off the time of a car (carrying perhaps 70 passengers), but these manifestations are the "commonweal" as much as the County Council. Again, the non-Socialist will scarcely refrain from scoffing when Mr. Wells promises him, or rather her, that in the Socialist Utopia she will get her wants satisfied in a State or municipal shop, "and if she does not like her service she will be able to criticise and remedy it, just as one can now criticise and remedy any inefficiency in one's local post office." I should say the general opinion is that the local post office (not including offices which are also private adventure shops) is the most unpleasant shop in the place to go into and the one which most wastes the time of its customers. Complaints to St. Martin's-le-Grand produce polite apologies, and nothing more.

Mr. Wells would have been more effective if he had not assumed the excellence of State service, had argued only that though it is still execrably bad, it certainly has improved, and can be much further improved. There are many things which we can trust Edward VII. to do for us tolerably which we should not have expected from Edward VI. There is no reason to suppose the process of improvement will not continue, and we may even hope to accelerate it greatly if we take in hand the education of officials, and perhaps even of legislators. While great things may thus be expected of corporate management in the future, there does not seem the same reason for expecting improvement in private enterprise. Profit-seeking works excellently where there is real competition, but as time goes on and the scale of businesses increases, the easy working of competition is more and more interfered with by aggregation and combination. Consider, for example, the English railway system. The management of each railway has been entrusted to a board of a dozen old gentlemen, who, though nominally elected by the shareholders, really perpetuate themselves by co-optation. A more absurd method of management could scarcely be devised. However (in spite of the unfortunate experience of the South Eastern corner in which Mr. Wells dwells), it has hitherto worked on the whole tolerably

well because people have been able to compare the performances of different companies, and to a very great extent to choose which of them they would employ to transport their persons and their goods. If the public, or that portion of it which has this choice, partially withdraw patronage from any line, the old gentlemen in charge of it get frightened, and pension off their manager, or even in extreme cases introduce "new blood" among themselves. But if by working agreements and amalgamations all possibility of choice is taken away and rivalry practically disappears, these boards of co-opted old gentlemen will become quite intolerable and inferior to a board appointed by politicians afraid of the House of Commons and the electors.

In two respects Mr. Wells seems insufficiently thorough. Firstly, he is, I think, too complacent with regard to inequality in distribution. It is doubtless true that no scheme for improving distribution would be satisfactory if it involved considerable diminution in production, but, all the same, there is an immense loss involved in a distribution as unequal as the present, and any scheme of reform which abolished or greatly diminished it might very well claim support on that ground. Secondly, Mr. Wells seems to admit too much when he allows private milliners and dressmakers to continue "under Socialism." When a woman wants a hat or a dress made, "then probably, for all that the world is under Socialism, she will have to go to private enterprise: a matter of taste and individuality such as dress cannot be managed in a wholesale way." As we get richer do not our wants become more and more largely "matters of taste and individuality"? Mr. Wells attempts to save his face by saying that he does not think the milliner "will make a trading profit, but only an artist's fee," but this only means that the customer is to buy the material from the store—a trumpery detail. If this kind of thing is to be admitted, I fail to see where the difference in principle between our present condition and that of "the world under Socialism" is to be found. Under Socialism all the people who minister to wants of taste and individuality—an ever-increasing proportion of the population—are apparently to struggle or compete for profit, or "artist's fees," if Mr. Wells prefers that term, much as at present. I suppose Mr. Wells would say that if they do not succeed they can obtain employment on the State railways or municipal trainways, or in some other service which does not require the satisfaction of various individual tastes; but this answer cannot be said to be different in principle from that which is made by the community at present. Even now the community

steps in where people cannot find work for themselves. No objection could be taken to the absence of a difference in principle if it were not that Mr. Wells professes to be contending for a principle.

I lay Mr. Wells' book down with the question : Why cannot present-day Socialists be a little more courageous? Nothing in economics is more certain than that the best distribution—the distribution which makes a given amount of produce go furthest—is distribution according to need. It is equally certain that a community with a perfectly organised system of corporate control could arrange production more economically than it is arranged or likely to be arranged by our present mixed system. What is the difficulty in supposing that, given sufficient time, the corporate organisation may become perfect enough to arrange all production and distribution?

EDWIN CANNAN

Socialism and Agriculture. By EDWARD CARPENTER, T. C. DYMOND, LIEUT.-COL. D. C. PEDDER, and the FARIAN SOCIETY. (London : Fifeild. 6d. Cloth 1s.)

THIS booklet commences with a description of the economic condition of a single country parish by Mr. Edward Carpenter, which, to the town-dweller, who has never had an opportunity of studying country life, must come in the nature of a revelation. But to those of us who are close students of the rural problem and have spent most of our lives in the country, the information does not come as new but rather as commonplace. We can verify Mr. Carpenter's statement of fact from the condition of things in the vast majority of rural parishes of our own acquaintance. It is well, however, in these days of rush and scurry, that someone should try to arrest the attention of thoughtful people to the disastrous result to the rural population of the enclosure of common lands from 1760 onwards by the lords of the manors and the landed class. Ten millions of acres of land, over which for centuries previously the common people had rights and privileges, were lost, and in this one particular parish to which Mr. Carpenter refers, it appears that 2,650 acres were enclosed in 1820. The noble duke (the name has recently been associated with a fierce denunciation of Socialism) who happened to be the lord of the manor, took 1,998 acres as his share of the plunder, and, says Mr. Carpenter, "now to-day in this village there is not a little field or corner left, absolutely not a solitary acre out of all that vast domain, which was once for the people's use,

where the village boys can play their game of cricket." Mr. Carpenter might have added that on this lordly estate, if not in this particular parish, at this moment there seems an impossibility of meeting the demand for small holdings without using the compulsory powers conferred by the recent Act of Parliament. Mr. Carpenter says that one of the first things which ought to be taken up is this question of commons: "If ten million acres passed so easily from the public use into the exclusive hands of the landowners, surely there ought not to be much difficulty in passing it back again. These lands are still largely in the hands of the families to whom they were rewarded, and the transfer might perhaps be most fairly and reasonably effected by the very simple reversion to the public at the expiration of existing life interests in them." Why not?

The second chapter deals with the secret of rural depopulation by Lieut.-Col. D. C. Pedder. The writer gives great credit to the work done by Joseph Arch in establishing the Agricultural Labourers' Union, but not, I think, more than he deserves. There is, at the present time, a movement in Norfolk for the resuscitation of this Labourers' Union, and it is quite remarkable to see how the seed sown by Joseph Arch into what appeared at the time very stony ground has taken root. The spirit which he aroused in the Eastern Counties still exists, and is being again fanned into flames by some of his old lieutenants. Mr. Pedder gets to one of the secrets of rural depopulation when he touches the question of cottages being tied to the farms. Owing to the system of large farms the tied cottage has become, from the landowners' point of view, a necessity. He cannot let his farms without them, and therefore Mr. Pedder sums up the situation when he says: "The great farmer stops the way."

The third chapter, dealing with State aid for agriculture, by Mr. T. Dymond, gives a very interesting account of the position of agriculture in Hungary, where, with the exception of an insignificant minority, the whole population is directly or indirectly engaged on the land, 50 per cent. of whom are small holders. We have in Hungary an example of the dangers of State-aid. Here agriculturists are spoon-fed by the State to an alarming extent, and Mr. Dymond tells us that the English farmers who accompanied him on his visit to Hungary are not likely, after what they saw there, to ask the English Government to do more for agriculture. They are rather imbued with the idea that it is better to have too little State-aid than too much. Probably there is only one feature of the Hungarian land system that

we might adopt with advantage, and that is the formation of credit banks.

The final chapter lays down "a national policy" by the Fabian Society for the revival of agriculture, but I am glad to see the Society admits, at the end of the booklet, that "some of the proposals made in this tract have been adopted in the Allotments and Small Holdings Act, 1907." There are, however, other proposals that have still to be considered. They are: (1) Courts to fix wages in areas of proper size, probably county or county council areas. (2) County land courts to fix fair rents for tenancies of seven years, and to which disputes as to proper cultivation and compensation for improvements may be referred. Much can be said for these two proposals; and the Fabian Society have put their case certainly with clearness and conciseness. Given comfortable cottages provided by the local authorities, there is a strong case in favour of fixing wages by a properly constituted court. At the present time, as is pointed out, although the average weekly earnings of the agricultural labourer amount to 18s. 3d., there are many parts of rural England, and these not the least productive, where the rate of wages is considerably lower. As to the Land Courts for fixing rents, even the present Lord St. Aldwyn is stated to be in favour of fixing rents by valuation and not by competition. Competitive rents are a curse to agriculture. They result in a fluctuating land market, which is against the best interests of the State. The first result of the Allotment and Small Holdings Act, together with the successful agricultural season of 1907, has been to seriously appreciate land values and to unduly put up rents. Some portions of the Crown estate, which has, for the last half-century, let at about £1 per acre, is now being eagerly sought after by agriculturists at *double* that rent, and the result is that if the local authority succeed in obtaining such land for small holdings purposes they will have to go into the open market and pay a considerably increased rental. The Fabian proposal is that in each county council area a statutory agricultural committee should be created, composed of members of the county council and of all borough councils within its area, to fix rents. It is a proposal well worthy of serious consideration. The Fabian Society sees that this means "five and twenty years of resolute effort," and this little booklet will certainly do something to help land reformers on the path of progress. It should be largely advertised and its circulation encouraged. Its title, "Socialism and Agriculture," is well chosen and attractive.

R. WINFREY

India and the Empire. A Consideration of the Tariff Problem.

By M. DE P. WEBB. (Longmans, Green and Co., 1908.
3s. 6d. net.)

MR. WEBB is well known in the commercial world of India as President of the Karachi Chamber of Commerce and as one of the most energetic and wideawake men of business in that prosperous port; the book which he has just published was described by Lord Milner in the House of Lords, on May 20th, as one "which is from first to last one of the strongest pamphlets published in favour of preferential trade within the Empire." Here, then, we may reasonably look for a weighty and informed statement of the case for Tariff Reform in its relation to India, a statement undisfigured by those inaccuracies and vote-catching sophisms which make of current controversial literature such unprofitable reading. And Mr. Webb's book justifies the expectations raised; he is an ardent advocate of Preferential Trade, but he presents his case with fairness, so that even where we cannot agree with his conclusions we can still retain a respect for his opinions.

It was Sir Edward F. G. Law, the Finance Minister of India, who in 1903 outlined the Indian case for Tariff Reform; his Minute contained an analysis of the exports of India which threw a new light upon the Tariff problem, and Mr. Webb has been content in the main to develop and reinforce the arguments of Sir Edward Law. India's position with regard to a Tariff bargain is well known. The total import trade of India (exclusive of treasure) in 1906 was £78,000,000 sterling; of these imports 68·8 per cent. were of British, and 31·2 per cent. of foreign, origin. The value of the goods which India buys outside the Empire is therefore approximately £26,000,000. This is the volume of trade which India has to offer in a tariff bargain. On the other hand, Indian exports were in 1906-07 valued at £121,000,000, over 80 per cent. of which was comprised under the following ten heads:—Jute, cotton, rice, jute goods, hides and skins, seeds, cotton yarn and cloth, tea, opium, wheat and wheat flour. The bulk of these exports are raw materials which are admitted free of duty, not only in Great Britain, but in the countries with a high Protectionist tariff, and therefore, with the notable exception of tea, they cannot be greatly stimulated by changes in the Customs duties of Great Britain. It was for this reason that the Government of India declared in 1903 that though "India had

something though not very much to offer to the Empire she had very little to gain in return."

But it is contended that if India has very little to gain she has very much to lose by adopting a Preferential Tariff which may lead to reprisals from foreign countries and a Tariff War. This argument was effectively disposed of by Sir Edward Law, and Mr. Webb has strengthened the case by his examination of the different heads of the Indian export trade. Jute, cotton, rice, hides, and seeds, which constitute more than half the exports of India, form the raw materials of manufacturing industries, and no country can impose import duties upon them without seriously crippling those industries. This is particularly true of the raw materials which India exports, because they consist of articles of which India has either a monopoly, as in the case of jute, or of which she provides a considerable portion of the supply, as in the case of seeds, cotton, or hides. No country which is interested in working up these raw materials could afford to endanger the stability of her own industries by imposing restrictions upon their import, and it appears to the writer that Mr. Webb has established the proposition that India need not fear a tariff war of retaliation. This is as far as Sir Edward Law pressed the argument, though he did, by way of illustration, point out that India might even impose an *export* duty on certain of the commodities she ships to Germany without harm to herself. This hint is developed by Mr. Webb; he suggests the imposition of a preferential export duty so that the whole of the "mighty volume of the Indian export stream might be discharged within the limits of the British Empire." The effect of this duty either would be to give British and Indian manufacturers an advantage in production or would prove the means of extorting from rival nations the best terms of admission for British and Indian commodities. Mr. Webb devotes four chapters to examining the main heads of India's export trade with a view to showing the practicability and advantage of such an export duty. The suggestion is a novel one, but its application would have far-reaching consequences, which Mr. Webb has not discussed; he mentions that in 1905-06 26.9 per cent. of India's exports were taken by Great Britain, but he makes no mention of the ultimate destination of these commodities, a very considerable proportion of which are not employed in British manufactures, but are re-exported to foreign countries. From the Blue Book of 1907, Cd 3687, it appears that of £8,195,000 worth of raw jute imported into Great Britain only £5,187,000 worth is retained in this country. The following are

a few other Indian commodities which are re-exported on a considerable scale.

Article.	Imported.	Retained.
Rice and rice flour	£1,693,000	£939,000
Cotton (raw)	1,482,000	781,000
Lac	730,000	147,000
Hides	465,000	153,000
Goat skins	849,000	194,000
Wool	1,478,000	865,000

Clearly if success is to attend Mr. Webb's policy of securing to the Empire the advantage of working up India's raw products, an export duty in India will not suffice, but a similar duty must also be imposed in England, the effect of which would be to imperil seriously her position as an emporium of the world's trade; commerce may not be in Mr. Webb's eyes as important as manufacturing industries, but the loss of England's transit trade is surely a very big price indeed to pay for an advantage in a few manufactures.

The Tariff Reform movement has brought about a revision of many economic orthodoxies, and we must therefore be cautious in our condemnation of doctrines which are unfamiliar and certainly look rather queer. Such a doctrine is Mr. Webb's novel conception of education as an agency for creating new markets. "The vast sums spent by all modern nations on education are an example of State efforts that result in . . . increased wants and desires, increased demand. Translated into the language of trade this means new and expanding markets, the mainspring and source of all industrial prosperity." Surely this is to mistake the effect for the cause. If education increases the demand of a people it is because it heightens their industrial efficiency, increases their earnings, and so raises their effective demand for commodities which they have always desired but have not hitherto been able to afford. On whatever ground it is based, however, Mr. Webb's plea for a more generous endowment of education in India may be warmly welcomed, though he has made a curious slip in saying that at present not 2 per cent. of the population can read and write. The true figure is over 5 per cent., and if the males only are considered, who alone count in the matter of economic efficiency, the figure should be 10 per cent.

In his excursion into pure economics Mr. Webb has put into unfamiliar prominence *demand* as a factor of industrial prosperity, meaning that no industrial community can be prosperous which has not access to good markets. "Demand," says Mr. Webb, "is the mainspring of all wealth-productive effort," and in their

neglect of demand he detects the central error of the Free Traders. But surely the old economists always postulated the existence of demand, they assumed that land, labour and capital would be engaged in the production of goods that were actually wanted; it is not contended even by Mr. Webb that goods are created for which there is no demand. The question at issue is whether a demand should be artificially created and specifically whether the imposition of a protective duty is not an unnecessarily costly way of creating a demand. But questions of cost are repugnant to Mr. Webb; he condemns England for her worship of an "economic dogma of cheapness altogether unworthy in one so great," and even rebukes the Government of India for an "excessive caution hardly consistent with that strength and dignity which attach to an Empire of the wealth and power of Great and Greater Britain." Without disrespect to the Empire or even the Equator, we may surely demand that an economic policy should be judged by economic standards.

T. MORISON

The Fiscal Question. By A. BONAR LAW, M.P. *Five recent speeches by the author.* Pp. 134. (London: The National Review Office, 1908.) Price 1s. net.

Insular Free Trade, Theory and Experience. By RUSSELL REA, M.P. (Cobden Club Publications.) Pp. 68. (Caxton House, Westminster, 1908.) Price 6d.

THESE two little books can be confidently recommended to those who want a clear and concise statement of both sides of the fiscal question, or who wish to refresh their memories with regard to the principal points at issue between the advocates of Tariff Reform and their opponents. Mr. Bonar Law's five speeches were all delivered between March, 1907, and March of the present year, and Mr. Russell Rea's pamphlet is, as the prefatory note explains, a reprint of a lecture delivered in Birmingham in 1906, considerably extended, and brought up to date.

Mr. Bonar Law more than once points out that Tariff Reform means two things. It means taxation of foreign manufactures, and it means Preferential Trade within the Empire, and although he has a good deal to say on the question of taxing foreign manufactures, much the greater part of his speeches is devoted to the explanation of the advantages to be derived from Colonial Preference. Mr. Russell Rea, on the other hand, deals almost entirely with the arguments for and against Protection pure and simple,

and only touches here and there on the Imperial side of the fiscal question.

It is on our need for expanding markets that Mr. Bonar Law bases his main argument, both for the taxation of foreign manufactures and for Colonial Preference. In the speech delivered at Manchester, which is devoted almost entirely to pointing out the probable effects of Tariff Reform on the cotton trade, he says, on p. 25 : "The power of production in Lancashire is being enormously increased, and I cannot see where the new demand is to be found that is to absorb that increased production. There are there, I think, the seeds of a great disaster." The importance of growing markets for our trade, both at home and abroad, is a point which, as it appears to us, is not sufficiently recognised by Mr. Russell Rea. He, we think, rightly maintains that "we are keeping as much as we can do of the trade of the world in good times" (p. 36). But with expanding markets might not good times become more lasting and periods of depression less frequent? The real question to be decided, however, is whether the taxation of foreign manufactures and Colonial Preference will bring with them all the beneficent results which are expected by Mr. Bonar Law. "Manufacturers," he says, "may be trusted to be the best judges of what is in their own interests, but surely it follows that if this change is in the interests of manufacturers it must also in the long run be in the interests of the men who work for the manufacturers. If it means a greater volume of business to manufacturers, it must mean a greater amount of employment for the workers" (p. 31). But does this necessarily follow? If the manufacturers in a single trade succeed in obtaining Protection, both they and those they employ will no doubt benefit, if the latter can secure their share of the higher prices which it will be possible to obtain. But as Protection is extended to other trades the tendency will be for this advantage to diminish, and the greater the number of trades which are protected, the less will be the gain of each. Even if it be granted that Protection, however widespread, must always be in the interests of the manufacturers and those who work for them, it does not follow that Protection would be to the advantage of the community as a whole. We find no mention of the consumer in any of Mr. Bonar Law's speeches, and he is altogether silent about the numerous persons who are engaged, not in producing goods, but in performing services whose products cannot be protected, and who would suffer rather than benefit by the change.

Again, with regard to Colonial Preference, is it so certain

as Mr. Bonar Law would have us believe that the Colonies will grant us a Preference which would lead to a great expansion of markets for our manufactures, except at a price which would be too high for us to pay? He recognises that the Colonies are determined to develop their manufactures, but thinks that for a long time there will be an enormous surplus which they must import from somewhere (pp. 50-52). This may be so, but the amount of our imports into the Colonies must largely depend upon the height of the tariff walls which the Colonial governments choose to erect against them. Mr. Bonar Law estimates that the extent of the changes brought about by the new Australian tariff "will not mean an increase of more than 50 per cent.," and he points out that the tariff is even then low as compared with those of other countries. Notwithstanding this, we are doubtful whether he is correct in thinking that "in the long run, the total volume of her [Australia's] imports is more likely to be increased than diminished" (p. 55). Mr. Russell Rea's view as to the possibility of our obtaining anything like a substantial preference from the Colonies is in such striking contrast to that of Mr. Bonar Law that it seems worth while to quote what he has to say on the subject. After pointing out that the English Tariff Reformer of the neo-German Nationalistic school does not take this kingdom as his economic unit, but that his unit is the Empire, he goes on to say : "The unit refuses to unify. The British Empire is a great fact, but, unfortunately, it is not an economic unit in the sense required for a 'National' economic policy. We have India practically a Free Trade country, with which we do as much trade as with Australia, Canada, and the South African Colonies put together, and we have these self-governing Colonies, each determined to work out its own national economic development in its own area, on the lines of strictly national—that is, Colonial—Protection. To speak quite frankly, I have at this moment more hope that Germany will find her new tariff insupportable, and relax it. I have far more hope, even an expectation, that the United States will extensively reform her tariff in the Free Trade direction than I have of a similar movement in any of our self-governing Colonies" (pp. 19, 20). Mr. Russell Rea, however, does not, we think, give sufficient prominence to the fact that Preference has already been granted to us by the self-governing Colonies, a fact which should not be ignored, although opinions may differ as to the actual amount of the benefit we have derived. Mr. Bonar Law regards this benefit as considerable, and constantly reminds his audiences of the concessions which we have

already obtained from the Colonies, and we think he is right when he says : " It is quite probable that the people of this country do not yet realise the material advantages of preferential trade, but this I am sure of—they do not desire to see this question settled without examination, they are not willing that the door should be closed once and for all on any theoretic grounds, but that if it is settled it should be settled after a careful examination of the practical advantages and disadvantages of the proposals " (p. 65).

There are several other points raised in these interesting speeches, which we should like to discuss, did space permit, such as the " dear-loaf bogey," small taxes on food as a means of binding the Empire more closely together, and of increasing supplies of wheat from the Colonies, also the effect of foreign trusts on our home market, a point which is just mentioned at the end of the last speech. With regard to taxes on food, Mr. Bonar Law's opponents will be sceptical, and some of his friends perhaps a little disappointed when they learn from him that " no one has ever proposed that there should be protective taxation of food in this country " (p. 46). There are other questions which are discussed in both the books under review about which the two authors reach widely different conclusions, *e.g.*, the difficult question of the comparative conditions of the working classes in England and Germany, the amount of unemployment in the two countries, the questions as to how far British exports are changing in character, and as to how far the industrial progress of some of the protectionist countries is to be set down to their tariffs.

Mr. Russell Rea's pamphlet, as has been said already, deals almost entirely with the arguments for and against Protection. He points out that " Adam Smith and Friedrich List each in his own day propounded his theory academically, and enforced it by purely deductive arguments, based on certain generally-admitted principles of human action. The recent fiscal controversy has rightly proceeded on entirely different lines—it has been in the main an attempt on both sides to reason by inductive process from the mass of available statistics and experience " (p. 54). It is by this kind of reasoning that he endeavours to show that free imports are still the best way of meeting hostile tariffs, and he adduces facts and figures in support of the three following propositions, *viz.* :—that we have the first call on the trade of the world, that we are keeping the best of the trade, and that we are keeping as much as we can do in good times. His remarks on the extent of our shipping, and the amount of employment

which it gives (pp. 48-50), are subjects upon which he is of course particularly well qualified to speak, and they deserve careful attention. Mr. Russell Rea is, we think, inclined to underrate some of the evils which are undoubtedly to be traced to our one-sided Free Trade, and the injury which foreign tariffs inflict upon our commerce, and he is also, perhaps, somewhat too optimistic with regard to the future, but, as he says, "one who believes in the truth, the present profit, and final triumph of Free Trade, must be an optimist" (p. 62). Mr. Bonar Law appears to us to suffer from the same fault—if it can be called a fault—for he believes that "Fiscal Reform is in itself the greatest of all Social Reforms, on which all other Social Reforms depend" (p. 55).

HENRY S. FURNISS

Le Marché à Terme de Bourse en Allemagne. Titre IV. de la Loi du 22 Juin, 1896. Étude juridique et économique.
JEAN LESCURE. Paris: Librairie de la Société du Recueil.
J. B. Sirey et du Journal du Palais. 1908. 8vo. 260 pp.

THE author of this book—which deals with the effects of the German Bourse Law of 1896 on time bargains in stocks and produce—combines, to an exceptional extent, the qualities of a learned and acute lawyer with those of a highly trained and perspicacious economist. The subject of his work is interesting, as it analyses the results of a somewhat unique experiment. The attempt of the German legislature to restrain and regulate commercial speculation has been the subject of much heated controversy between its promoters and its opponents; the impartial comment of a critic who has no personal concern in this controversy, and is so well equipped for his task as the author of the work now under review, is therefore doubly welcome. The German Imperial Statute of May 8th, 1908, by which the Bourse Law has been considerably modified, has, no doubt, for the moment put an end to the strife between the contending parties, but from the point of view of the student of economic problems the subject has not lost any of its interest.

The law of 1896 intended to serve two objects: (1) to prohibit time bargains on the public exchanges in certain classes of stocks and goods; (2) to prevent non-professional speculators from entering into any kind of time bargains on the Public Exchanges. The expression, "time bargains on the Public Exchanges" is here used as the equivalent of the German expression, "börsenmässige Termingeschäfte," which expres-

sion was specifically defined by the original statute as including any contract for the delivery of stocks or goods at a specified future time characterised by the following special condition : (1) time was required to be " of the essence " of the contract (which means that the contract was to be treated as broken, if it was not performed at the exact stipulated date); (2) the contract had to be made subject to general conditions imposed by the authorities of a Public Exchange; (3) the stocks or goods which were the subject-matter of the contract had to be stocks or goods in respect of which time bargains were officially quoted on the Public Exchange under the rules of which the bargain was made.

The following were the classes of stocks and goods as to which time bargains on the Public Exchanges were entirely prohibited by the law of 1896 : (a) shares in mines and industrial undertakings; (b) shares in other undertakings having a capital of less than 20 million marks; (c) corn and flour and other similar goods; (d) such other classes of stocks or goods as the Federal Council might determine to include in the prohibited classes. Having regard to the far-reaching effects of the rules as to registration in respect of all time bargains on the Public Exchanges, the total prohibition of such bargains in specified classes of stocks and goods has been of comparatively small importance.

The exclusion of non-professional dealers from all kinds of time bargains on the Public Exchanges was to be brought about in the following manner. Bourse Registers were to be established throughout Germany, in which the names of all persons wishing to enter into time bargains on the Public Exchanges were required to be inscribed. No valid obligation was to be created by any time bargains on a Public Exchange unless both parties to such bargains were registered on a Bourse register, and all securities as well as all acknowledgments of indebtedness given in respect of any such bargain were to be of no effect. On the other hand, it was provided that in the case of both parties being inscribed on a Bourse register a time bargain coming within the definition referred to above was not to be invalidated on the ground that it was in the nature of a gaming contract. In this manner the gaming nature of a contract ceased to be pleaded as a ground of nullity in the case of time bargains on the Public Exchanges. If one of the parties to such a time bargain was not on the register, this fact was sufficient to invalidate the transaction, and it was unnecessary to prove that

it was of a gaming character; if, on the other hand, both parties were on the register, the fact that it was of a gaming character did not invalidate it. The object of these provisions was to induce all persons habitually transacting business of the nature described, either on their own behalf or as agents for others, to inscribe their names on the register and to avoid all dealings with unregistered persons.

The authors of the Statute of 1896 proceeded on the assumption that the diminution of risk in the case of dealings between registered persons would make the registers popular, but this assumption was erroneous. To use Mr. Lescure's words: "*La spéculation a refusé une sécurité juridique, qu'elle achetait, disait-elle, au prix de son honneur et de sa considération. Le négociant, le financier, refusèrent de se faire inscrire sur un registre qui les ravalait aux yeux du public*"; the number of entries as shown by the tables given by the author are quite insignificant.

In order to escape the consequences of non-registration various methods were adopted for transforming the transactions affected by the new law in a manner which, without altering their economic effect, would bring them outside of the definition quoted above. The Supreme Imperial Court at Leipzig, however, declined to be hampered by the letter of the Statute, and dealt with the transformed transactions in the same way as if they had been included in the definition. The result of this strict interpretation of the law was no doubt injurious from a moral point of view, as it enabled dishonest persons to pocket the profits on their time bargains and to avoid payment of their losses. This is admitted by Mr. Lescure, who quotes some very interesting recorded instances of such a course of conduct, but he is more sceptical with reference to the statements made by the opponents of the Bourse Law of 1896 alleging that this enactment has had disastrous effects on the economic life and financial position of the German nation, and that it has caused a material contraction of business and given rise to violent fluctuations in the prices which would have been avoided if the Public Exchanges had performed their proper functions. The figures given by the author show that between 1897 and 1900 no material contraction of business took place, and that the contraction which did take place since 1900 is due to a large extent to causes other than the provision of the Bourse Law. One of these causes is the concentration of business in the hands of trusts, syndicates, or other trade combinations, on which Mr. Lescure has some very interesting observations. He also maintains that the contraction of Stock

Exchange and Produce Exchange business is not necessarily a symptom of commercial and industrial decline.

While admitting the economic usefulness of speculation, he is of opinion that it is within the province of the State to regulate it and to prevent its abuses.

In the course of discussing the unfavourable effects which the attempt to suppress time bargains in wheat is alleged to have had on the fluctuations in prices, Mr. Lescure gives an interesting survey of these fluctuations, and also investigates the operation of the German system of import duties and export bounties, and of their influence on the German wheat markets. The author in this manner does not merely throw light on his immediate subject, but also gives a valuable insight into the development of various branches of German economic life.

The amended Bourse Law of 1908 will probably, on the whole, meet Mr. Lescure's views, as it seems better fitted to suppress illegitimate speculation, while removing some of the fetters imposed on legitimate operations by the law of 1896. The definition of "time bargains on the Public Exchanges" contained in the Act of 1896 has been dropped. It is now left to the free judgment of the Courts to determine what classes of time bargains are affected by the provisions of the Bourse Law. The prohibition as to time bargains on the Public Exchange in wheat, flour, and similar articles is maintained, but, in order to prevent the Courts from extending the operations from time bargains not intended to be affected by the Bourse Law, it is expressly declared that contracts for the delivery of wheat, flour, and similar articles are not to be deemed included in the prohibited time bargains if they are made subject to general conditions approved by the Federal Council and also conform to the following requirements :—

(a) One of the contracting parties must be a producer or transformer of goods of the same kind as the goods to which the contract refers or a trader or registered co-operative association whose business it is to purchase or sell wheat or flour or similar articles or to lend money on the security of any such articles ;

(b) Time must not be made of the essence of the contract ;

(c) Certain specified conditions as to the quality of the goods forming the subject of the bargain must be embodied into the contract.

The chief features of the new Act are the alteration of the test by which professional dealers are distinguished from outsiders and the modification as to the effect of time bargains in stocks

to which outsiders are parties. Registration in the Commercial Register has now taken the place of registration in the Bourse Registry. All persons or companies registered in the Commercial Register (excepting small traders), and certain other classes of persons and corporations (including retired traders and retired members of any Public Exchange), are now authorised dealers for the purposes of the Act. As all persons and companies who carry on business on a fairly large scale are necessarily inscribed in a commercial register, this means that every important trading firm or company is now included in the authorised dealers, and that only such persons are excluded who ought to abstain from speculative transactions. Time bargains on the Public Exchanges are, as a general rule, void as heretofore, unless both parties are authorised dealers; but an important modification arises as to time bargains in stocks, in the case of one of the parties being an authorised dealer and having obtained security for the performance of the bargain. In such a case the authorised dealer will in future be bound by the bargain; the other party will not be bound personally, but the security given by him will be operative.

It is generally hoped that the inconveniences created by the provisions of the Act of 1896 and the opportunities offered thereby to dishonest persons will now be obviated, without interference with the legitimate objects which that Act was intended to promote. Experience alone can prove whether this hope will be fulfilled. Perhaps in a few years Mr. Lescure, in a new edition of his book, will help us to examine the results of that experience.

ERNEST J. SCHUSTER

The Distribution of Ownership. By JOSEPH HARDING UNDERWOOD, Ph.D. (New York: The Columbia University Press. 1907. Pp. 219. Price \$1.50.)

THE title of this book is somewhat deceptive, as it leads the reader to expect an account of the division of property between different classes of owners, such as private individuals, partnerships, and incorporated companies on the one hand, and municipal corporations and the State on the other. As a matter of fact, such subjects are barely mentioned, and the largest part of the essay is devoted to a short review of the history of property from primitive times onward, and enters into the fields of political science and jurisprudence, rather than into that of economics.

Basing his account upon the leading authorities, Professor

Underwood traces the historical development of the rights and the limitations of ownership of slaves, of land, and of corporate property on the continent of Europe, in England, and in the United States, his treatment of the last country naturally being the most detailed. In a long chapter on the limitations of corporate ownership in the United States, mention is made of such diverse subjects as the tendency in many industries for ownership to be concentrated in a few hands, the taxation of industrial corporations, factory legislation, trade unions, profit sharing, and co-operative societies. About a page is devoted to municipal trading. The author points out that in the United States somewhat more than one-half of the town water-supplies and one-fifth of the electric light systems were municipal property in 1902. On the other hand, municipal tramways are almost unknown, and it is by no means exceptional to find towns in which the sewers are owned by private persons.

The subjects of the control of trusts and the regulation of railroad companies are treated at somewhat greater length, but hardly receive as much attention as might be expected, in view of the fact that these questions are very real ones in the United States at the present time. For an English reader the most important point to grasp is the constitutional difficulties raised by these questions. According to the United States Constitution, companies incorporated in one State of the Union are entitled to carry on business in every other State of the Union, which renders ineffective almost all efforts to control trusts by State legislation. At the same time, the construction placed upon another clause of the United States Constitution by the Supreme Court is such that federal legislation dealing with trusts, as for example the "Anti-trust" Act of 1890, is practically powerless. The most successful step taken by the Federal authorities has probably been the establishment of the Bureau of Corporations to investigate the business methods of "trusts," about which complaints have been made. At the present time, reports dealing with the oil trade and the beef trade have been published, and inquiries are being made into the tobacco and the steel industries.

Both the Federal and the State Governments have recently devoted considerable attention to regulating the railroad companies. The central authorities, acting principally through the Inter-State Commerce Commission, have sought to stop the preferential rates granted to large customers, and the secret rebates which these customers frequently obtained to the detriment of their smaller competitors. The State authorities have given

* special attention to passenger fares, and have often of late attempted to impose a maximum fare of two cents a mile, instead of the three or four cents usually charged. As in the case of the control of trusts, Federal and State authorities have found the United States Constitution a considerable obstacle to their efforts, but this may change in time, as the Supreme Court, which is charged with the interpretation of the Constitution, is not bound by precedents.

In the final chapter Dr. Underwood discusses the ethics of ownership, and expresses the hope that there may be some redistribution of ownership in the future, so that the poor man can reasonably look forward to possessing a little property, sufficient at least to mitigate the worst evils of poverty, and that at the same time more limits may be imposed upon the power attached to wealth.

At the end of the book there is a long list of the authorities consulted by the author when writing this essay, which testifies to the thoroughness with which the work has been done. The writer has brought together, within a reasonably small space, a lot of interesting material, but the value of the book would have been enhanced had there been a good index, in addition to the analytical table of contents.

DOUGLAS KNOOP

Railway Corporations as Public Servants. By H. S. Haines.
(The Macmillan Co. Pp. 226. Price 6s. 6d. net.)

THE public nature of the services rendered by railways has long been recognised, and supplies the basis for the arguments in favour of railway nationalisation. Mr. Haines, however, is no believer in the alleged benefits of State ownership. On the contrary, he holds that all, and more than all, the benefits derivable from State ownership can be obtained under a system depending on private enterprise combined with efficient State control. The State control of the past comes in for very severe criticism, Mr. Haines summing up his position in the words, "Let us then not legislate against the railroads, but for them." That the railroad legislation of the United States in particular has usually taken the form of attacks on the railroads, there can be no denying. In fact, it has been too frequently "panic" legislation.

Whilst we cannot always agree with Mr. Haines's conclusions, it is due to him to recognise the impartiality with which he has

given instances of the abuse by some of the American railroads of the power vested in them. The remarkable series of transactions conducted by Mr. Harriman in connection with the Union Pacific R.R. are related in some detail. By a series of financial legerdemains Mr. Harriman has made the Union Pacific R.R. Company "either to be dominant or powerfully influential in 54,000 miles of railroad, being one-fourth of our (U.S.A.) total mileage, with 40 per cent. of its capital and 30 per cent. of its earnings." The power wielded by the president of this vast corporation is stated plainly to be greater than that of the President of the United States. The position built up has only been possible owing to misdirected and defective legislation.

It is not difficult to understand that the people of the United States have become alarmed at the vast power concentrated in the hands of a few railway magnates, and that many have reached the conclusion that State ownership is the only efficient remedy. Mr. Haines gives many reasons for considering this impracticable in the case of the United States. The vastness of the proposition, which would make 200,000 miles of railway and the 1,500,000 railway employees a department of the federal government, is in itself appalling! The debt of the United States would be increased by at least \$14,000,000,000, and the effect of this on the national finances is certainly a matter for serious consideration.

Mr. Haines does not, however, rest content with these facts. He considers also whether the conduct of the transportation will continue equally efficient, whether railway employment will continue to attract a like number of the "captains of industry," whether the public will be equally well served. The answers to these questions are certainly matters for argument, and we cannot always accept Mr. Haines's decisive negative. When, however, he considers the past control, and denounces the action of the State, which has consistently forbidden the railways to make peace with one another, and has forced them to fight until the weaker succumbed, we are quite at one with him.

The supporters of railway nationalisation will do well to read this book. From its pages they will be able to call much to support their position, but they will also find in its pages many of the arguments which they will be called upon to meet if they are to convince the country that State ownership is to be preferred to private enterprise.

W. T. STEPHENSON

The Nationalisation of Railways. By A. Emil Davies. (Adam and Charles Black. Pp. 125. Price 1s.)

THIS book is a poor effort to put forward the case for railway nationalisation. When it is compared with Mr. Pratt's "State Railways," which was reviewed in the December JOURNAL, the inevitable conclusion is reached that if Mr. Pratt was biassed in favour of private ownership of railways, Mr. Davies is even more strongly biassed in the reverse direction. The result is a piece of writing calculated to mislead the general public, and to make more careful readers wonder whether there is any case at all for the nationalisation of our English railways.

To take a single instance of the manner in which Mr. Davies handles his figures, on p. 15 the fact that 195 millions of pounds have been added to the capital owing to stock conversion, consolidation and division, is emphasised, but there is absolutely no reference to the amount of capital raised at a premium. In dealing with the question of capital, Mr. Davies might also have given some consideration to the difference in capital cost per route mile and per mile of single line. Many railways leading out of London have had to make four or more lines of rails for many miles out to meet the needs of the suburban and long-distance traffic, and it is absurd to treat these miles as exactly the same as the miles of line serving the country districts.

This misleading use of railway mileage shows that Mr. Davies either deliberately misrepresents the railways or is thoroughly ignorant of railways and railway working. Whichever be the truth he is clearly disqualified from being taken seriously.

When Mr. Davies attempts to discuss competition and co-operation between railways, he contradicts himself repeatedly. In one place he rates the railways soundly for wasteful competition, whilst in another he holds up the London, Brighton and South Coast Railway to ridicule because they have made an agreement to avoid competition at Eastbourne by sharing the profits from the traffic with another railway. Again, he pleads the advantages of single administration, and fails to appreciate that he is thereby making an indictment against the State control of the past rather than against the railways which have continually been prevented from joining hands and so abolishing competition. If Mr. Davies had studied the history of the union of the South Eastern and Chatham and Dover Railways, he would have realised how very difficult and expensive it has been for railways to obtain Parliamentary sanction to unite.

At the close of the book Mr. Davies gives the address of the Railway Nationalisation Society. That society will be well advised not to depend on the facts or arguments set out in this book for its case in favour of State ownership. That there are good arguments for State ownership there is no denying, but the arguments for and against nationalisation appear to be unknown to Mr. Davies.

W. T. STEPHENSON

Socialismus und Sociale Bewegung. By WERNER SOMBART. 6th edition. (Jena : Gustav Fischer, 1908. Pp. xi. + 395.)

PROFESSOR SOMBART has reissued in a new form his valuable work on "Socialism and the Social Movement." The plan of the book is similar to that of the original version, but it has greatly increased its contents since the publication of the edition which Mr. Atterbury translated into English ten years ago, and even since it was reviewed in this JOURNAL two years ago.

A portion of the early introduction describing Owen and the Utopian Socialists is now omitted, and the author concentrates his attention on a realistic representation—very solid and satisfying—of the existing conditions of actual Socialist parties, with a critical discussion of their tendencies. So rigorous is his self-restraint that it is only after the perusal of some three hundred pages of the work that any definite conception as to the writer's personal attitude towards the doctrines of Socialism begins to take form in his reader's mind. It is a valuable example of the objective treatment of controversial matter, touched with imagination and insight which prevent its becoming a mere photograph of actualities.

His treatment of Marx is typical of this judicial point of view. Marxism, he says in effect, represents "une orientation," an attitude of mind rather than a creed (to borrow a phrase recently applied to a very different sphere of thought). Though modern Socialism is permeated with it, it is Marxism with most of the doctrines of Marx omitted. Imperceptibly they have been undermined, as history has shown the falsity of the "doctrine of increasing misery," &c., until the followers of the would-be philosopher and economist opened their eyes at length to find his system, "like the campanile at Venice," in ruins before them. So far as theoretical calculations could assist them, Marx and Engels could claim to have discovered "the new star" which was the symbol of the social movement that they helped to shape ;

but it was left to their successors actually to recognise it among the heavenly bodies. Although they were impracticable in their immediate recommendations (which were due to the revolutionary atmosphere of their youth and to the influence of those lower strata of society which they helped to become articulate), yet they bequeathed to modern Socialism its "realistic, historical, and evolutionary character;" its aim, collectivism; its weapon, the class-war. In practice, however, they involuntarily demonstrated the permanent gulf between science and Socialism, and the promulgation of their doctrines in their crudest form retarded the advance of the movement.

Herr Sombart holds firmly to the idea of the "class-war," toned down to suit a civilised society dimly conscious of its solidarity, and on this basis he insists on the "essential unity" in all countries of the trend of modern Socialist thought. The old revolutionary leaders—Bebel, Guesde, Hyndman—are no longer revolutionary in their immediate ideals; the reformists like Jaurès and Vandervelde are revolutionary in their adherence to the idea of the "class-war." The course of social evolution has brought the proletariat "inevitably" to the same stage of revolt against Capitalism, and by three roads—Parliamentary, Trade Union, and Co-operative action—its sections are advancing to the same goal. The differences which appear so large are differences only of tactics. After a detailed consideration of the progress of "the social movement" in America, and in the different countries of Europe, he concludes that the streams of proletarian thought are flowing in the same direction. "The working classes will never be 'contented' again," though the form of Socialism in which their discontent will express itself will not be revolutionary. Here, and in his pronouncement on the incompatibility in the future of political patriotism with international Socialism, the author modifies his attitude so far as to permit himself to look forward.

In an interesting chapter on the recent growth of "syndicalism" or revolutionary Trade Unionism in France and Italy, he criticises this recent break in the "trend towards unity," and points out the utter impracticability of its ideals. Nevertheless, he is inclined to rate it more seriously than do some of its chroniclers, though he characteristically declines to prophesy its future. If it succeeds in finally capturing the Trade Unions and in making its peace with co-operation, the effect will be serious on Socialism as a whole. For both Trade Unions and co-operative societies are the Socialist training-ground, "the elementary schools of Social-

ism" in its more reasonable forms. Their educational effect in the direction of moderation cannot be underestimated—witness their influence in England and Belgium respectively. Therefore he urges the history of the English social movement, "its excessive sobriety," and absence of "soul-stirrings" so characteristic of the nation, as an object-lesson to vehement Continental reformers, while at the same time he makes an eloquent plea for the restoration of ideals to rescue the Socialist movement from the materialism which threatens it.

C. V. BUTLER.

Continuation Schools in England and Elsewhere. Edited by M. E. SADLER. (Pp. xxvi—779. Manchester University Series.)

In this volume Mr. Sadler, with the help of various writers, surveys the whole field of continuation schools in this and other countries. The term "Continuation School" is a rather vague expression used to cover a great variety of forms of education, ranging from a two or three years' course at a technical day school down to a class in shorthand held in the evening for a single hour a week. But the presence of two characteristics gives unity and definiteness to an otherwise vague expression. As the name implies, the school represents something added to the Elementary School, and, secondly, the instruction has a more or less close relation to the occupation of the student.

In spite of the many years during which continuation schools of a kind have existed, the whole subject must still be regarded as in an experimental stage. Voluntary effort and State-supported classes go on side by side, and no connected system, at any rate in this country, can be said to exist. The value of the present work lies mainly in the comprehensive survey it takes of the many aspects of the problem. But, as in the other volumes for which the same editor is responsible, Mr. Sadler is not content to present a picture merely of existing conditions. He is equally anxious to explain the significance of the different developments by determining the general trend of events.

In spite of the variety of the subjects discussed and the number of authors responsible for the different chapters, there is an amount of agreement not always found among writers on social problems. Three conclusions will remain in the mind of the reader when he reaches the end of the volume. First, the State must assume a more or less active responsibility for the

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technical training of those entering the trades and professions. Secondly, the limit of progress along existing lines has been reached. Thirdly, further progress can only be secured by introducing into the continuation schools the element of compulsory attendance.

With regard to the first, it is clear that the old system of apprenticeship has broken down. The industrial development of the last century, with its growth of huge factories and its minute subdivision of labour, has made impossible the all-round training which could once be obtained in the workshop. The various voluntary associations for encouraging apprenticeship which of late years have sprung up in considerable numbers, have recognised this fact by endeavouring to secure the attendance of the apprentices at trade classes held in technical institutes, while the more thoughtful employers have, in certain instances, made the attendance at such classes one of the conditions of apprenticeship.

It might be thought that the development of evening classes, or of courses of instruction, held during the day and attended by pupils with the leave of their employers, might meet the exigencies of the situation, but experience points to a different conclusion. On the most generous calculations "not more than one in five of the children in England and Wales regularly attend the continuation schools during the years immediately following the elementary day school courses," nor do the figures show much tendency to increase. A careful inquiry among teachers in evening schools leads to the conclusion that even these figures can only be maintained by allowing the recreative element to loom largely in the curriculum.

As regards attendance at day classes it is the very exceptional employer who allows his apprentices "time off" in order to take advantage of such institutions; while it is a small minority of employers who recruit their workshops, and who would therefore hope to gain any advantage from their better training. Finally, a very large number of boys and girls reach home too late or too tired to attend an evening school.

The great difficulty in the organisation of evening classes in town and country alike arises from the failure on the part of great numbers (it is to be feared the majority) of employers to recognise their responsibility towards the further education of the young persons in their employment. To this general failure of the sum of educational responsibility there have always been numerous and bright exceptions, and it would be unfair harshly to criticise the past in the light of the changed ideas of the present. . . . But the efforts of

the good employers must not lead us to overlook the failure of the bad ones. I have myself been led to the conclusion, which I submit to the consideration of the reader, that the most effective way of dealing with the difficulty will be to throw upon all employers by statute the duty of granting to those of their male and female work-people who are under eighteen years of age, the necessary time for attendance at continuation classes at hours prescribed by the by-laws of the local education authority. In addition to this, power should be given to make attendance at continuation schools, at hours not incompatible with the physical well-being of the pupils, compulsory for young people up to seventeen or eighteen years of age.

In this passage Mr. Sadler clearly expresses his opinion that it is necessary to introduce the element of compulsory attendance at continuation schools, if we desire to include the greater number of the children as they leave the elementary schools. To this point he returns again and again himself, while the other contributions to the volume add arguments in its favour.

This conclusion is undoubtedly the most important result of the study of continuation schools. If we leave this country and go to the Continent we can find such a system in actual operation. In Munich, for example, "compulsory instruction is given for at least eight hours per week." "There is no compulsory instruction after 7 p.m. An effort is being made to hold as many classes as possible during the day-time." In other parts of Germany and in Switzerland we likewise find a tendency to make attendance at continuation schools compulsory, and, what is no less important, to make that attendance compulsory during working hours rather than in the evening. Experience goes to show that a child is not fit, either mentally or physically, to take full advantage of instruction at the close of a long day's labour spent in the factory.

While Mr. Sadler is "convinced that in the end some form of compulsion to attend day or evening continuation classes between fourteen and seventeen years of age will be found desirable," he is of opinion "that we in England have still much to do before we shall be ready to use the weapon of compulsion so far as attendance at continuation schools is concerned." He would, therefore, deplore "prematurely invoking compulsion," and appears to regard it as a thing to be realised rather in the remote than in the near future.

It is more than doubtful whether he is not mistaken in this belief. There is good reason to believe that a rapid movement in this direction is setting in. The problem of the unemployed,

and, in particular, of the unemployable, is seen to have a close connection with the faulty training of the young. It is an open secret that the Poor Law Commission has amassed much evidence in support of this view, and it is not improbable that the report will contain a recommendation in favour of compulsion.

Now if compulsion is to come it is in every way desirable that it should come in a proper form. Mr. Sadler would leave considerable discretion to local education authorities; and while, of course, this is desirable, one might have wished that he had laid down a little more clearly the limits within which that discretion may be exercised. Two points are of fundamental importance. First, compulsion itself must not be made optional or it will rarely be exercised; and secondly, there must be compulsion during the day and not in the evening.

Is it too much to hope that we are on the eve of the inauguration of a new half-time system, where every young person, between the ages of fourteen and eighteen, must attend school, either in the morning or in the afternoon? Readers of the present valuable book will be driven to the conclusion that only in this way can the difficulties, there unfolded, be solved or the author's ideal of a continuation school be realised as a place which shall "inspire a sense of personal duty towards the community."

R. A. BRAY

The Stannaries: A Study of the English Tin Miner. By GEORGE RANDALL LEWIS, Ph.D. Harvard Economic Studies. 1908. Pp. xviii + 299. (Constable and Co.: London. Houghton, Mifflin and Co.: Boston and New York.)

IN spite of the vast mineral wealth of this country, and its exploitation from very early times, the history of the development and organisation of English mining has been hitherto almost neglected. The miner's status and conditions of life and work prior to 1800, which have been so carefully studied in Germany, have never attracted serious investigators in England. The book under review is therefore especially valuable, inasmuch as it deals with an unexplored field, and one of the highest importance in the national economy of the country.

A great merit of the book is that it treats of tin mining and the miner as part of the general development of mining both here and on the Continent. Hence we get frequent references to the English lead, iron and coal mines, as well as to German, French, and Belgian conditions, and we are thus enabled to see not only

in what respects English mining was peculiar, but also in what ways tin mining resembled or differed from the other forms of mining.

The book is also an important contribution to the history of English commerce. In the early middle ages, when England lay off the main stream of the world's trade, it was tin, lead, and wool which brought her into touch with the Continent and the greater civilisation it represented. Tin was a thing that was essential for the utensils of brass and pewter which were in general demand for household purposes. Foreigners came to this island to obtain tin, and they influenced the whole of English economic development. The country was found to be worth calling at and worth exploiting, and English commerce and resources were gradually developed by foreign skill and capital. Tin was one of the articles which purchased from Venetian and Genoese merchants the spices which helped for centuries to relieve the deadly monotony of the staple diet of salt beef.

From the very first tin formed one of the East India Company's important articles of trade, and through its agency the metal was carried to India, Persia, and Japan. This again was a circumstance of national importance, as the English had so few acceptable things to take to the East. The English heavy cloth was not a suitable product for Eastern markets, and the English merchants were at a great disadvantage as compared with the Dutch, whose linen was in great demand. Tin, however, helped to redress this inequality.

The nature of our chief exports has so completely changed during the eighteenth and nineteenth centuries that we are apt to forget that tin was one of the important bases on which our international trade has been built up.

In his account of the Stannaries, Mr. Lewis first of all describes the technical conditions which have prevailed in the tin industry from early times. He then deals with the external history of the tin trade, the shifting of the centre of the tin district from Devon to Cornwall, and the foreign trade in tin. This is followed by a chapter on early mining law. It seems that there were three kinds of mines in England—royal mines which belonged to the King, mines which belonged to the owners of the land, and free mines, to which latter class the tin mines in Devon and Cornwall belonged. In the case of free mines the tinner could freely search for and work tin wherever it might be suspected, regardless of the rights of the landlord. This was

called "bounding," and where it prevailed "it was open to the poorest villein to become his own master simply by laying out a claim and registering its boundaries in the proper court" (p. 35).

The position of the tin miner in regard to taxation is no less interesting than his roving right to dig and search for the metal. He paid taxes not as an Englishman, but as a miner. He did not pay any of the ordinary taxes, such as the tenth and fifteenth, but paid proportionately to the value of the tin mined. Hence the tin mines had a very effective means of securing redress from the monarch when they considered their rights invaded. They simply stopped mining, and the King got no revenue. We find accordingly that the tinnerns' complaints were attended to with considerable promptitude.

The King had the right of pre-emption in regard to all the tin produced, a right which was sometimes utilised to prevent the tinnerns being squeezed by the dealers as to price, and sometimes it was utilised by the King to corner tin on his own account.

Not merely was the tinner a man apart in matters of taxation : he also had a peculiar position as regards law and justice. He was simply not subject to the ordinary law of the land, but only to the laws of his own Stannaries Parliaments as administered in his own Stannaries Courts. These were organised as separate institutions in 1201 in Cornwall, and 1305 in Devon. The tin mines thus constituted an *imperium in imperio*, and have considerable constitutional as well as economic interest.

After tracing the development of the tinnerns' privileges in regard to the administration of justice and taxation from early times down to the disappearance of this special jurisdiction in the nineteenth century, Mr. Lewis passes on to describe the changes which have taken place in the industrial organisation of the trade. The early and rapid development of capitalism in its various forms is described at length, but Mr. Lewis shows that even to-day the conditions prevailing in the Cornish tin mines are peculiar in many respects (p. 206).

A final chapter is devoted to a consideration of the methods of disposing of the tin, and to the abuses which have arisen in connection with the various systems of marketing.

The book is an excellent one, and well deserves the David A. Wells' prize which it gained in 1907. It is a valuable contribution to the constitutional and economic history of England.

L. KNOWLES

British Committees, Commissions, and Councils of Trade and Plantations, 1622-1675. By Professor CHARLES M. ANDREWS. (Johns Hopkins University Studies, XXVI., 1-3.) (Baltimore : Johns Hopkins Press, 1908.)

THOSE who attempt in future to learn something of English colonial and trade policy during the seventeenth century cannot be too grateful to Professor Andrews for his valuable monograph upon an obscure and hitherto neglected aspect of the subject. The story of colonial settlement and colonial government and customs, and the problems of colonial trade, are to some extent familiar. Now, for the first time, we get full details of the various experiments undertaken by the authorities in England for the supervision and management of domestic, foreign and colonial trade, and for the general oversight of the colonies, whose development during the second half of the seventeenth century was so intimately connected with commerce. It becomes abundantly clear that the amount of machinery devised for purposes of investigation and control was greater than has hitherto been assumed. The tangled relations of the various committees, sub-committees, councils and commissions, some temporary and some permanent, are simply bewildering, but the writer enables us to follow the different threads with comparative ease. Here, as in other respects, the evidence shows that the Council, whether called Privy Council, Council of State, or Protector's Council, realised its responsibilities. Either directly through its own Committees, or through bodies of experts, it endeavoured to cope with the new problems created by colonial settlement and colonial trade, while royal commissions were also instructed at times to investigate certain questions. The period of unparliamentary government is shown to be of some interest as marking the creation of the first Privy Council Committee of Trade which had any claim to permanence, and to it all matters connected with trade were referred throughout the decade, while temporary bodies were appointed to deal with plantation affairs. The most important of the latter, the Commission for Foreign Plantations, called also the Laud Commission, sat for seven years (1634-41), but though possessed of extensive powers it accomplished little, and many questions were submitted to special sub-committees of experts. Is it not probable that the pressure of other matters prevented Laud (the chairman), and other high State officials, from exercising powers as far-reaching as those actually wielded in the arbitrary courts? The war naturally diverted attention, and though, as early as

November 24th, 1643, a Parliamentary Commission of eighteen was authorised to control plantation affairs and to exercise wide-reaching powers, it, like its predecessor, accomplished little. We wonder, as he does not mention it, whether the writer has come across the earlier ordinance of November 2nd, dealing with the points referred to in the commission quoted, and by which the Earl of Warwick was made "governour in chiefe and Lord High Admiral of the plantations in America." It was not until the close of the war that trade or colonies could be seriously considered. Then, however, there was no delay, and Parliament at once handed over to the Council of State all authority to control foreign and domestic trade and plantation affairs. The Council found it expedient in 1650 to appoint a Council of Trade, upon whose history Professor Andrews throws much light. In an appendix, he prints those statesmanlike and comprehensive instructions which, as he says, give definiteness to the commercial and colonial programme of England. The instances mentioned of cases brought before this Council of Trade and its successor, the Trade and Navigation Committee (1655-7), show them to have been more actively concerned with the vital trade questions of the time than with colonial matters. This was probably due to the activity of the Council of State, which directly and through Committees effected something. Though little was accomplished notwithstanding the variety of machinery, and though there was no consistent plan, Professor Andrews clearly holds that the schemes and successes of the Restoration period owed much to the experiments of the Interregnum, and to the agitation of such hard-headed practical merchants as Noell and Povey, whose influence is marked from 1655 onwards. As colonial trade became more important, remedies for existing defects in the conduct of colonial business were suggested by men with a direct stake in the development of that trade, and one of the most interesting parts of the book is the comparison of Povey's practical suggestions with the instructions actually issued to Restoration councils. Clarendon utilised the experience of merchants and planters, and the policy of control by separate and select councils for trade and for plantations was maintained until his fall. Then, for a short period, the Privy Council Committee for Trade and Plantations was considered adequate, but the plan of separate councils was soon revived, and much interesting information is forthcoming as to the Council of Trade (1668-1672), and the yet more important Council of Foreign Plantations (1670-2), and the Council of Trade and Plantations (1672-4). Professor Andrews proves that the former body was

really intended to be effective, and was not merely a piece of political manoeuvring to prevent trade with France, as Roger North implies in an account which Professor Ashley is inclined to view with approval (p. 94). It did not touch trade with France, but for a time considered many matters connected with domestic and foreign trade. More activity was admittedly displayed by the Council of Foreign Plantations, to which elaborate instructions were issued (App. II.), and it may have been on grounds of efficiency as well as economy that, in 1672, a new Council was appointed to act as a Council of Trade and Foreign Plantations, with instructions drafted, in part, probably by Locke (App. III.). These instructions present a complete statement of the principles of plantation policy, and the heads of business done by the Councils of 1670 and 1672 (App. IV.) show that the members took things seriously, and dealt with many of the matters committed to their care. When the Council was dissolved in 1674, control reverted to the Privy Council Committee which, from the Restoration onwards, had also exercised supervision and control of colonial affairs. As is well known, these Lords of Trade acted as a board until the creation of a separate Board of Trade and Plantation in 1696.

It may be suggested in passing that one possibility of confusion would be avoided if the same title could be used uniformly. Thus the Council of Trade of 1650 is referred to under the name Board of Trade in App. I., and the Index to the entry books of the Council of 1670, described on p. 102, is quoted in Appendix II. as a Journal, although the actual Journal is mentioned as missing.

This brief and inadequate summary may convey some idea of the main outline of a valuable piece of research. Until recently the attention of historians has been directed almost exclusively to the religious, constitutional, and political aspects of the period. It is only as the result of scholarly spade-work, such as is now presented to us, that we can hope to reconstruct eventually the economic history and policy of the seventeenth century. Towards that reconstruction Professor Andrews has contributed by showing how earnestly and continuously, during a period of domestic stress and change, the home government endeavoured to develop machinery adequate to deal with the new responsibilities created by colonial settlement and colonial trade.

ELLEN A. MCARTHUR

Théorie de l'Évolution. By G. DE MOLINARI. (Paris : Félix Alcan, 1908. Crown 8vo. Pp. 257.)

IN this little *brochure* the editor of the *Journal des Économistes* presents a summary review of historical development from primitive times to the present age. The standpoint from which the survey is conducted is "orthodox," and we are not surprised to find that competition is given from the very outset special, if not exclusive, prominence as the prime agent of beneficent improvement, and that in the modern days in which we are now living, and in that approaching future to which M. de Molinari casts an apprehensive rather than a sanguine glance, monopoly and protection are set alongside of war as the unkindly forces whose perverse but potent influence he contemplates with unconcealed misgiving. For, by a striking contrast, his optimism on the past is not maintained when he directs his gaze to other times. And yet that robust belief, so characteristic of French economists of the straitest sect, in the efficacy of unrestricted freedom in the economic sphere, does not suffice to palliate or hide some ugly incidents accompanying the progress wrought in previous ages. The justification of slavery as a habitual feature of early civilisation will be familiar to most historical students, but it may startle some, and it may not convince others, to find the invention of gunpowder put by the writer of this book on the same level as the discovery of the steam-engine in its effect upon the evolution of mankind. M. de Molinari is led by the nature of his subject and the limits of his space to attempt an "economic interpretation" of history alone, and his treatment is open to further criticism because even within the restricting boundaries thus prescribed it produces some impression of discursiveness and disproportion. For the objection may, we think, be raised that too much space has been devoted to primitive and early periods, and that when we arrive at later modern times we find a number of chapters dealing somewhat disconnectedly with particular epochs, and with special features, rather than presenting in orderly chronological succession a systematic survey of the main course and typical forms of development. Yet the author contrives to supply from time to time illuminating hints, and he has invested his story throughout with the attractive qualities of lucidity and point. These, indeed, we expect from the practised pen of a veteran writer who on many previous occasions has enriched French economic literature with the work of an industrious and accomplished mind.

L. L. PRICE

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Economic History of the United States. By E. L. BOGART.
(Longmans. Pp. xiii + 522.)

THIS is the most complete text-book of the subject which has as yet been issued, and will probably be widely read for some years to come. A certain absence of stimulus and suggestive interest seems to be inevitable in the modern educational manual, but all students owe a debt to the author for the care and impartiality with which he has sifted and arranged a considerable mass of material; with his aid it will be much easier to "get into" the subject than it has ever been before.

Two chief defects in much that has been written on modern economic history are over-emphasis of commercial policy, and excess of quantitative and technical detail. The former is avoided by Dr. Bogart, and his book gains thereby considerably in realism and force. In avoiding the other evil he has been less successful; too many of his sections read like translation of the decennial census into letterpress. There is, of course, plenty of room for different views as to the limits within which the study of economic history should be made a vehicle for conveying facts analogous to those which an older generation received from the "Child's Guide to Knowledge." Such information, however, as that "Cottonseed oil . . . is used in making salad oils, oleomargarine, lard, and soap" (p. 297), seems to go too far in the direction indicated.

It must not be supposed that Dr. Bogart lacks interest in the broader problems which his subject suggests. The contrary is evident in almost every chapter. But he is at his best in simple narrative and descriptive passages. His analysis of cause and effect is patient; his reading and sympathies are evidently wide; but he seldom throws much new light, and he is, perhaps, a little unimaginative in regard to civilisations other than his own. The dominant note in his work is a sanguine contentment with the tendencies of the western world as they appear in the United States. His delight in the size of his country and in its colossal progress are expressed with a naïve frankness which cannot possibly offend the reader. He is not blind to the darker side of the picture, but one feels that his perception of the waste of natural products, of the cleavage between rich and poor, of labour and racial trouble, &c., is the concession of an optimist who retains a healthy confidence in the destiny of his race.

The bulk of the book is divided into four parts. I. Colonial Development. II. Struggle for Commercial and Economic Inde-

pendence (1763-1808). III. The Industrial Revolution and the Westward Movement (1806-1860). IV. Economic Integration and Industrial Organisation. In Part I. the relations with England are treated with the charity which distinguishes modern American work on the period.

Part II. would have been strengthened, in our opinion, by more elaborate discussion of the economic aspects of the political system adopted by the new nation. Throughout the remainder of the book this side of the matter seems to be rather inadequately treated. But the lines within which the economic historian should work are at present drawn loosely, and it may be that many readers will congratulate the author on his comparative neglect of political *momenta*.

Part III. will be the most interesting portion of the book to many English readers. Especially noteworthy are chapters xi. and xii., which treat of the important manufacturing development prior to 1860; chapters xiv. and xv., on transport; and chapter xviii., on the application of machinery to agriculture.

Part IV. as a whole seems to us overcrowded with quantitative detail. The chapters on labour problems and organisation are clear and good; "Industrial Combinations" are treated somewhat inadequately; the few pages on "Commercial Expansion" are also slight.

The book is designed for "high school as well as college students," and is elaborately "methodical" in the sense in which the term is used by educational experts. Each chapter concludes with a list of "suggestive topics and questions," together with "selected references," to which attention is sometimes directed by one or more stars. The whole is well indexed, and concludes with a full bibliography; it is "profusely illustrated" with maps, pictures, and diagrams. A high school or university teacher is thus provided with a kind of Baedeker to advanced teaching in the subject, which will enable him to ground his students thoroughly with a minimum of personal exertion. This part of the work seems to have been done excellently, though, at the risk of appearing hypercritical, we would suggest that the utility of the bibliography is not perceptibly increased by the inclusion of Professor Marshall's "Principles of Economics," whilst if Thorold Rogers's "Six Centuries of Work and Wages" and "The Economic Interpretation of History" are included, it is not immediately obvious why his "History of Agriculture and Prices" should be omitted. Most of the illustrations help to make the text intelligible, but

this is not the case with all; the pictures of a "corn shocker" (p. 292), a "corn husker and shredder" (p. 295), a "basting machine" (p. 364), and others convey practically nothing to readers who have not seen the actual machines. On the other hand, the picture of a "combined harvester and thrasher" (p. 287) condenses in half a page all and more than could be written in a chapter. Wheat fields stretch to the horizon, and across them twenty-four horses drag a bulk of complex machinery which dwarfs the figures of the men who guide it.

H. O. MEREDITH

L'Industrie Américaine. By ACHILLE VIALATE. (Paris : Alcan. Pp. 492. 10 frs.)

M. VIALATE has written a lucid and well-informed summary of industrial tendencies in the United States. The book is based largely on works which are familiar already to English students, but the general reader will be well advised to borrow from France this excellent condensation. The author has spent some time in the United States, and can check and illustrate his authorities by personal knowledge and observation.

H. O. MEREDITH

Essays in Municipal Administration. By J. A. FAIRLIE. (New York : The Macmillan Company, 1908. Pp. 374.)

THE value of Prof. Fairlie's work and writings on the subject of administration in general, and municipal administration in particular, is so well known that a perusal of the present volume is likely to leave the reader with a sense of disappointment. It consists of a collection of nineteen essays, written at intervals during the last ten years, and of very different degrees of value. Some are of a purely general character, such as the opening paper on "Some Phases of Municipal Government" and the brief essay on "Instruction in Municipal Government"; others are elaborately detailed accounts of special problems in particular American cities, such as the lengthy paper on "The Street Railway Question in Chicago," which does not appear to have reached a solution at the time the paper was prepared for publication in the present volume, and the shorter article on "Municipal Electric Lighting in Detroit."

A group of essays are stated to present "some observations on municipal government in Europe made during a visit in the

year 1906"; and a considerable part of the matter contained in them might have been omitted with advantage. A little over a page is devoted to Leipzig, and contains nothing beyond such brief notes as to municipal services as one might expect from an ordinarily intelligent tourist with a mild interest in municipal affairs, combined with a few guide-book sentences; Rome is dismissed in three pages, which tell us among other things that, "in its architectural monuments and its collections of paintings and sculpture, Rome is one of the greatest centres of the world. All of these collections, which attract the attention of the visitors, are also open to the inhabitants of Rome on payment of the usual fees." Florence and Venice each get two pages; of Florence we learn that "in many respects it is an attractive city," and of Venice that "gondolas take the place of cabs"; and Naples and Buda-Pest receive about the same amount of "scrappy" information, which serves no useful purpose. The London Traffic Problem is discussed briefly (apparently without reference to the Report of the Royal Commission), the Glasgow tramways and telephones are dealt with in three pages and a half, and recent Birmingham enterprises are described to the extent of four pages. A useful account is given of the municipal government in Vienna; but this does not redeem from mediocrity the particular section of the book which contains these European notes (pp. 287-349).

It is the more unfortunate that Prof. Fairlie's present volume should be handicapped in this way, since some of the essays which it contains are of real value. The account of the origin and organisation of municipal corporations in the American Colonies—they grew up in that group of Colonies in which the influence of the home Government was strongest, and their formation was entirely within the period from 1686 to 1746—is an extremely instructive contribution to the history of municipal institutions, and though its interest is almost purely historical it is probably the best thing in the volume. The article on "Municipal Codes in the Middle West" (pp. 110-124) illustrates at once the movement towards a coherent and intelligible organisation of municipal government on lines which are coming to commend themselves to reformers generally, and the extent of those divergencies between State and State which make it impossible to describe any particular form of city government (save in the merest outline) as being "typical" of the United States. The long essay, by Professors Fairlie and Merriam, on the Revenue Systems of certain typical American and Foreign Cities (the

latter are London, Paris, Berlin, Vienna, and Glasgow), contains much information of interest as to the forms of local taxation; but it is doubtful if it yields any results of practical value. The differences in municipal organisation, in the range of public services, in the conditions and habits of city life, and even in the purchasing power of money, are so great that comparisons of *per capita* revenue and expenditure have little, if any, meaning; and the local revenue system is in each case so related to the methods of State taxation in vogue as to render, as a rule, any transference of a form of municipal taxation which has been successful in one country to any other practically impossible. The statement (on p. 213) that in European cities most of the direct taxes levied by the local authorities are in the form of additions to the State taxes, and that "the taxes for the central governments are the larger portion of the whole, although the local taxes are also of weight," is not quite intelligible; certainly as regards the large Prussian towns the latter part of the statement is somewhat inaccurate, for there the local income-tax alone is normally anything from 150 to 200 per cent. additional to the State income-tax.

The essays which deal with purely American conditions may be commended to those students who wish to realise the confusion of American civic institutions, the strivings after reform and the obstacles in the way. Probably such students will soon become convinced that, save in technical matters of administration, each country must work out its own salvation on its own lines; it can derive very little from others. Though we prefer Prof. Fairlie's more systematic writings, it is possible to learn from this volume something of the lines on which a trained observer, striving after a rigid impartiality, expects a sound system of municipal government for the United States to be built up, and it is noteworthy that he is not, as so many civic reformers in the United States, an uncompromising advocate of municipal ownership. But is it quite certain that (p. 15), since in every city there are "sectional divisions with tolerably distinct municipal interests and some elements of common social life," such divisions "ought to be recognised and emphasised in the political system"? The one object of all who care for sound municipal government should surely be to diminish the force of sectional interests, and to replace them by the sentiment of a common citizenship.

PERCY ASHLEY

Johann Friedrich von Thünen und seine Nationalökonomischen Hauptlehren. By DR. MAX BÜCHER. (Bern, 1907.)

VON THÜNEN'S work, like that of other pioneers in economic theory, can be appreciated only with difficulty at the present day, when so many of the ideas which he struggled to grasp and explain are now to be found in every text-book explained with greater clearness than he could attain. This book is much to be commended as an exposition of the substance of von Thünen's writings, and should enable the modern student to acquire a very good idea of his work and of his position amongst the great pioneers.

An agricultural Ricardo, one might call von Thünen. It is impossible to doubt that he had quite independently grasped the theory of rent, though his exposition is obscured rather than helped by the elaborate and detailed calculations of the cost of producing and transporting the various commodities which would be grown at different distances from the central market town of his isolated state. Von Thünen fixes his attention on differences in cost of transport to the market as the fundamental condition determining rents, but he is more interested in the effect which differences of cost of transport have upon the distribution of agricultural industries. Ricardo fixes his attention on differences in the fertility of various soils, and it is the question of rent which interests him. The different circumstances of Germany and England at that time account for the attitudes of the two men. When we come to the question of wages, we must assign a higher place to von Thünen than to Ricardo. The former has the merit of having grasped the idea that the efficiency of labour must be a factor in determining wages. His formula, doubtless, is too simple for the complexities of the case; the theory of value was not sufficiently developed to admit of any very comprehensive treatment of the problem. Still, von Thünen's formula was a great advance on the simple subsistence theory of wages which was current at the time, and it led von Thünen to adopt a very sane view of the prospects of the working classes. He looked forward to a gradual increase of efficiency of the working classes through improved education, especially technical education. Increased efficiency and intelligence of labour, he argued, would operate to the advantage of the working classes in two ways: directly, in accordance with his formula, and also by allowing greater competition for posts requiring some education and intelligence, and so reducing the salaries of busi-

ness managers and officials. He did not seem to expect the state to play any great part in effecting this amelioration of conditions for the masses, but looked to the enlightened self-interest of parents and employers. His attitude is thus far removed from that of the Marxian Socialists, and perhaps errs on the side of optimism. In discussing interest, von Thünen seems to pay attention only to the rate per cent., and to ignore the fact that nearly all the capital may be owned by comparatively few people.

Those parts of von Thünen's theory which are open to the most serious criticism are his discussions of taxation and of Protection. He holds a very alarming view of the effect of a tax on agricultural production. Theoretically, in the isolated state and practically elsewhere, he holds that a tax proportionate to the amount of produce must drive the more distant "no-rent" land out of cultivation and leave the displaced people to starve, since the tax cannot come out of rents; and to explain the incidence by supposing the price of the product to be raised, conflicts, he supposes, with his wages formula.

The present writer cannot quite agree with Dr. Bücher's comments on this point. Dr. Bücher agrees with von Thünen that the dire results are theoretically correct for the isolated state, because it is supposed to be in an unreal "stationary" condition. Should we not rather say that von Thünen's formula is inadequate to all the tasks imposed on it, and that his theory is at fault? The only important difference between the effect of a tax in the isolated state and the effect of a similar tax under ordinary circumstances is that in the former the effect is supposed to work itself out uninfluenced by any other change of circumstances, whilst in the ordinary actual life time is required, and other circumstances may alter and produce effects which obscure the results of the taxation, as von Thünen clearly perceives.

In dealing with Protection, von Thünen is not very satisfying. He perceives the advantage of having goods produced where conditions are most favourable, but he has not got so powerful a grasp of this part of the subject as Ricardo. In considering what would happen to a country which abandoned Protection and admitted foreign agricultural produce from a country better suited for agriculture, he seems to regard the displaced agriculturists as having no option but to starve or to emigrate to the more favoured region. His position is thus fairly described by Dr. Bücher as that of a Free Trader from the cosmopolitan standpoint, but from the national standpoint an opportunist. The fact

of any necessary connection between imports and exports and the possibility of fluctuation of the level of prices do not seem to enter into von Thünen's consideration. On the whole, one may say that von Thünen had a clear conception of the doctrine of "margins" as applied to prices, rents, and even wages, but he was not able to work out the conception to its fullest results.

C. F. BICKERDIKE

Das Wirtschaftsjahr, 1905. Jahresberichte über den Wirtschafts- und Arbeitsmarkt. By RICHARD CALWER. Zweiter Teil: Jahrbuch der Weltwirtschaft. (Jena: Gustav Fischer, 1907.)

THIS statistical annual has apparently now reached its fifth year of publication; it is in effect an abstract of the abstracts, and the long list of authorities given at the beginning shows how much trouble goes to its compilation. For those who know the meaning of particular groups of statistics and wish to lay their hands on the special amounts for 1904 and 1905 the Year-book is of value; but we doubt whether an uncritical combination of heterogeneous numbers can be safely used by the non-expert. It is very noticeable that the statistics are produced by the various nations on no uniform plan, and that only in the simplest cases (such as the production of cereals and raw materials) can a definite comparison be made. The earlier part, concerned with production, is mainly confined to such raw materials, and we cannot find, for example, any reproduction of such well-known tables as give the consumption or production of pig-iron; this may arise from the restriction of the tables to subjects contained in official (national) publications. In the tables relating to foreign trade we are reminded of our own Statistical Abstract for the Principal and other Foreign Countries, which indeed contains the great part of the information given in this Year-book. Some further definition is wanted in the heading of several tables. Do the Export Tables relate to General or Special Trade? Does the table of shipping refer to the tonnage owned by the various nations or entered or cleared at their ports? The distinguishing excellence of the book is its clearness of type and portability. To those accustomed to the cheapness of Government publications, its cost (9 marks) appears considerable. Further, we are not yet given the statistics for 1906.

A. L. BOWLEY

On Collective Phenomena and the Scientific Value of Statistical Data. By ERNST G. F. GRYZANOVSKI. With an Introduction by FREDERIC TRICKERMAN. (American Economic Association, August, 1906.)

It is but rarely that attention is given to the fundamental functions of statistics, and the republication of this thesis in accessible form is therefore to be welcomed. The place of statistics is strictly limited by the author; where knowledge can be perfect and causation certain it is only an auxiliary; where probability is involved, statistics finds its proper place; with complete uncertainty of causation statistics is a trespasser. Under the heading "Registration," the nature of averages is discussed, and the necessity of a measure of dispersion pointed out; under "Interpretation," causality is analysed. There are five grades of causal connection, from the Necessarily Connected to the Totally Unconnected; the intermediate grades, Presumable Connection, Indirect Connection, and Apparent Independence, form the sphere of statistics. These divisions cut across the ordinary classification of sciences into physical, biological, and ethical, and exclude on the one extreme probabilities in physics calculated from theoretical laws, and on the other historical records; and the resulting analysis cuts out a good deal which has formed the subject-matter of statistics. "Chance . . . is philosophically the reverse of accident," for the former is calculable, the latter not; the author, if we understand him rightly, wishes to limit statistics to cases where chances are calculable. But the statistical methods of criticising, establishing, and obtaining the significance of historical records are only remotely related to calculations of chance, and we do not find that this very important function of statistical science fits into any of the categories proposed. The pamphlet concludes with a discussion of the relation between freewill and the apparent inevitability of statistical coefficients; individuals can act on some of the many causes which produce the general result; when their action is not at random, but correlated, there is a definite and cumulative effect, which is shown by the gradual change of the coefficient. The fall in the birth-rate, observable since the author's death in 1888, forms a good illustration of this last analysis.

A. L. BOWLEY

Henri de Saint-Simon, die Personlichkeit und ihr Werk. By FRIEDRICH MUCKLE (Doktor der Philosophie). (Jena : Gustav Fischer, 1908. Pp. vi+384.)

"You must be an enthusiast if you are to accomplish great things." That was the last dictum of St. Simon on his death-bed, and Dr. Muckle, at any rate, has proved its truth. His enthusiasm for his hero has helped him to produce a good book. It is not a biography; it is an account of a system. It is divided into two parts; the first gives a very full account of St. Simon's works together with sufficient biographical detail to make the author's narrative clear, and the second deals with St. Simon's influence.

Schmoller has called St. Simon a clever adventurer, who certainly had some new ideas, but who also wrote much that was wild and extravagant. Nor does Schmoller stand alone in this view. But to Dr. Muckle St. Simon is a hero. Yet despite his zeal he does not pass over St. Simon's conceit and foolishness; and he admits that he was sometimes paradoxical and often contradictory. But his excuse is that St. Simon must not be judged by the ordinary conventional standards. For he regards him as the most influential thinker of the nineteenth century, whose greatness is proved by the fact that two such differing schools of thought as those of Comte and Marx should both have drawn their inspiration from his teaching.

Nevertheless Dr. Muckle is worth reading. He has made himself thoroughly familiar with St. Simon's writings, and knows, too, the conditions amid which his hero lived—as witness one or two excellent sketches of the economic conditions in France at the beginning of the nineteenth century. Indeed, the book is full of information from cover to cover. The author gives a detailed account of St. Simon's view of history, which in its highest sense he regarded as the history of human thought and human knowledge; how political and military history he looked upon but as of secondary importance; and how he divided universal history into eleven epochs, each characterised by certain well-defined features. On this view of history St. Simon built up his social system, which had as its aim to make possible for all men the unfettered development of their powers. In order to achieve this aim he propounded a scheme of government modelled on the English parliamentary system. Every nation was to have a parliament of this kind, and over all these there should be a European parliament.

Yet Dr. Muckle will not have St. Simon classed among the Utopian Socialists. He believes his teaching to have been eminently practical. St. Simon saw the struggle between the old Feudalism and the new Capitalism (embodied in industrial undertakings), and believing that the latter represented an upward stage in historical development, he became its prophet and its champion. "Tout par l'industrie, tout pour elle." And by industry he meant all manner of useful labour. He demanded that political power should be given to the representatives of industry and of natural science, which he always regarded as bound up with industry and its advancement. This, according to Dr. Muckle, was the ideal of St. Simon's social philosophy, and this, as well as his claim that the State should recognise the principle of the right to work for those who could work, and the right for State aid for those who could not, brought St. Simon very near to Socialism.

But was he a Socialist? We cannot help thinking that Dr. Muckle does not give a clear answer to the question. He does indeed say at one point that St. Simon was not a Socialist. But he immediately qualifies his statement by asserting that there are very many Socialistic tones in St. Simon's writings, faint as yet, but perceptible; and twenty pages lower Dr. Muckle calls him the first Christian Socialist. Moreover, he disputes the generally accepted doctrine that Marx and Engels were the originators of the materialistic view of history. Dr. Muckle asserts that it was St. Simon who first gave distinct expression to that notion; Marx only developed it and gave it greater precision. Altogether the section dealing with the relationship of Karl Marx to St. Simon shows great learning and a thorough knowledge of the subject, and is as interesting as that which bears on the relation of Comte to St. Simon.

All this, however, has been considered more or less fully by other writers also. What is new in Dr. Muckle's book is the thesis that Thomas Carlyle, while owing much to Goethe and Fichte, is wholly dependent on St. Simon for that teaching which best characterises him. Indeed, Dr. Muckle lays it down that Carlyle was but a brilliant populariser of St. Simon, and, moreover, an unconscious one. But we must confess that Dr. Muckle hardly makes out a conclusive case for his thesis. Even if Carlyle did write, "These people (the St. Simonists) have some wonderful ideas which contain a good deal of truth"; or even if in *Sartor Resartus* he quoted a saying of St. Simon; or even if Mrs. Carlyle wrote in a letter, "The most interesting acquaintances we made

were the St. Simonists"—all this, to which Dr. Muckle appears to attach no little importance, may show that Carlyle was not opposed to the teaching of St. Simon, but it does not give effective support to Dr. Muckle's thesis. Yet this part of his book is worthy of special attention. He points out some interesting parallels from the writings of Carlyle and St. Simon. It would seem that their views on the French Revolution, on mediæval ideals, on the future of the working classes, on parliament, and on the franchise, show a remarkable similarity, which Dr. Muckle is at great pains to show by extracts from their works. The author's enthusiasm for his hero here rises to a very high pitch.

It is a pity that the book has no index. Dealing as it does with so many interesting topics, and giving pretty full information on most of them, the book would have been much more valuable with an index, more especially as the table of contents does not by any means do justice to all that it contains.

M. EPSTEIN.

System der Verkehrspolitik. By JOSEPH GRUNZEL. (Leipzig : Duncker und Humblot, 1908. Pp. vi + 407.)

DR. JOSEPH GRUNZEL, with his usual thoroughness, has written a very useful book dealing with transport and the means of transport. He touches upon all means of exchange and all agencies which facilitate exchange—roads, railways, shipping, post, banks and banking—and concludes with a good chapter on insurance in so far as it affects transportable goods. The book is descriptive right through; the author is somewhat disdainful of theoretic speculation. It is very full and up to date, and above all things readable. Dr. Grunzel is able to make even the history of roads interesting. Nor does anything escape him. The construction of railway-stations, the lighting of railway carriages, navigation laws and navigation policy, the building of harbours, the pros and cons of State ownership of railways, the difference between English and German banks, all receive attention. Indeed, it is not too much to say that the book is of the nature of an encyclopædia. It is well ordered; the author's method is to deal first with the general aspect of each subject and then to give information concerning the existing conditions with regard to it in the chief countries of the world. It is essentially a book for those who wish for information; it is thorough and practical. There is a good index, and each section is followed by a useful bibliography.

M. EPSTEIN.

Soziale und individualistische Auffassung im 18. Jahrhundert, vornehmlich bei Adam Smith und Adam Ferguson. By HERMANN HUTH. (Leipzig: Duncker und Humblot, 1907. Pp. xv + 160.)

James Mill und die historische Methode. By DR. KARL MÜLLER-WERNBERG. (Bern: J. Zollinger, 1908. Pp. 87.)

DR. HUTH's treatise is the 125th volume of Prof. Schmoller's "Staap und sozialwissenschaftliche Forschungen." His object is to discover the exact meaning of the term Society in the writings of Adam Smith and Adam Ferguson. He begins by tracing the trend of opinion in the seventeenth and eighteenth centuries with regard to the term Society, and he refers to over seventy authors of the period in all tongues of the learned. His book is a mine of information, giving seventeenth and eighteenth century views on the meaning of society, on the different forms of organised society and on the relationship of the individual to the community. To give but one example. If we turn to the section dealing with the idea of organised society we find the views of Bodin, Hobbes, Locke, Montesquieu, Shaftesbury, Rousseau, Quesnay, and Smith. The book ought to be useful, but, like most books of the kind, it makes somewhat difficult reading. It might be said that the author's aim was to lay bare the historical development of the principle of *laissez faire* as found in Smith; to show how it grew up in the seventeenth century and developed in the eighteenth.

Much more simple in its aim is Dr. Müller-Wernberg's essay. He tries to answer three questions. Did James Mill adopt the historical method in his *History of British India*? If he did, why did he not use it in his writings on Political Economy? Further, to what extent do the views on Political Economy to which Mill gave expression in his *History* accord with those to be found in his purely economic works? And why does he ask these questions? His reason is simple. Adam Smith's method was historical as well as philosophical, inductive and deductive. But his disciples discarded the inductive method. Now, the most important of these, according to Dr. Müller-Wernberg, were Bentham, Ricardo, and James Mill. That Bentham and Ricardo should have proved faithless to the historical method our author can understand. The one had got used to the deductive method alone in his legal studies, and so used it in his economic studies also; the other had no knowledge of history, and perhaps lacked the historic sense. But James Mill? He was apparently a

professed historian. How account for his avoidance of the historic method in his purely economic writings? We should not be surprised to learn that this is a doctoral dissertation. Certainly, the questions which the writer set out to answer are not of the greatest importance, but he has done his work neatly enough. His conclusion is that it is a mistake to regard James Mill as an historian; that in reality he was perfectly consistent in not adopting the historic method in his economic works. Moreover, the economic opinions in the *History* agree with those in his writings on purely economic questions.

M. EPSTEIN.

The Distribution of Livelihood. By ROSSINGTON STANTON.
(New York and London, 1908. Pp. 125.)

THE author attempts to lay down rules to govern the just disposition of livelihood under modern conditions; and perhaps somewhat unwisely chooses to base his principles of production on a primitive condition of industry that has passed away. His "principles of production," indeed—"necessity," "accumulation for seed," &c.—would make a very interesting introduction to "economics for aborigines" if only one had not heard the same thing said, and better said, so often before. Primarily labour is applied to the gathering and producing of the fruits of the soil, but with a growth in the efficiency of labour, which as a rule finds vent in a more extended division of labour, a further class of workers is confined to working up the raw materials in some form or other. This is "landless" as distinguished from "landed" production. There is a third class of labour "which receives its valuation without regard either to land or labour, but solely under its constitutional competitive operation." Corresponding to these three classes of labour are three types of value—Land, Landless, and Simple Value. The difference between this last value and that conferred by the comparative influence of land is interest, that between this comparative valuation and the direct value conferred by land is rent. All interest—except wages of risk and the reward of management—is to be eliminated by restricting the hours of labour. For the author is apparently sublimely ignorant of the nature of interest as deferred payment for stored-up labour, and equally so of the fact that capital would not be forthcoming except for a fair return. Rent is to be taxed out of existence, on grounds which might possibly have been valid in the days of Methuselah; but he altogether ignores the very

complex conditions of modern land tenure. He does indeed deal with some few objections in a later chapter, but these are by no means the most vital ones, nor is his treatment convincing.

Of the book as a whole, one may say that it might have been interesting as an illustration of that sort of solution of modern problems which can be reached without a study of facts, if only the author's language and reasoning were a little less obscure. Too often, indeed, it is hard to understand what he really means; but some of his sentences might be useful as puzzles. As a producer of books, the author contrives to get along without much "raw material," that is to say, facts; and indeed of some important principles which he sketches in an appendix, he lays it down that "to ascertain their accuracy would require a very considerable and complex analysis that I am unable to attempt at this time"; but he is content to express confidence that investigation will verify their correctness. One can scarcely conceive a more deplorable attitude. For the study of social problems has reached so advanced a stage that the least which can be asked of an author is that he shall base his system on a study of actual facts. Mr. Stanton is very severe on Adam Smith for assuming the principles of production. If, indeed, the latter did this, which is doubtful, at least he based his conclusions on a number of recognised facts and human qualities, while his critic rests only on his own opinion of what is right, and not of what is. His assumptions may, of course, be based on a wider study than is apparent in the book itself; but, if so, it does not appear from the course of the narrative, and if he has got any facts to show, Mr. Stanton has kept them out of sight. One cannot think, therefore, the book will possess any great value. For the casual reader it is too heavy and obscure; for the sociologist it fails to show any basis of facts.

N. B. DEARLE

Value and Distribution. A Critical and Constructive Study. By HERBERT JOSEPH DEVENPORT, Associate Professor of Political Economy at the University of Chicago. (Chicago, 1908. 8vo. Pp. xii + 582.)

THE issue of this monumental work is a reminder that the theory of value, by reason of the voluminous treatment it receives, will from time to time require such a "critical and constructive" treatment as the author sets out to provide. So far, good: for what the author proposes is likely to be not less useful than it is

difficult to carry out with success. The continual appearance of new doctrines makes it necessary from time to time to "report progress," in order to unearth the elements of truth in each of them. A new theory of the author's own is not indispensable, is perhaps better left out; but the great thing is to describe in concise and simple language the meaning and limitations of the most important, leaving the reader to draw his own conclusions. Such an operation as applied to the question of value and distribution should be able to clear away much of the undergrowth that springs up so as to reveal the central conceptions with due clearness.

Unfortunately the work before us is an example, an altogether admirable example, of how not to do it. For one thing it is far too long, covering as it does with the assistance of appropriately extensive notes, 577 pages of not very big print. For to be of any use such a book must be such as to enable the student to grasp quickly and easily the whole history and relationships of the subject. Then again the language is far too involved, and the author falls into an error, not altogether uncommon with American economists, of producing a number of distinctions, sadly ill-equipped with differences. For instance, Chapter I. (pages 1-7), on "Various Cost Concepts," contains quite a number: "Labour-Purchase Cost," "Labour-Time Cost," "Labour-Pain Cost," and "Labour-Value Cost," and there is a fifth admitted to be not very distinguishable from this last. So far there is comparatively little to complain of; but taking up "employer cost," as opposed to "employé cost," the author gives us "capital use cost," "abstinence cost," "loan interest displacement, or investment opportunity, cost," "capital product opportunity cost," "personal-wage displacement," and "personal-product-displacement (opportunity) cost," and finally "subsistence cost" falling into two, "standard of living wage cost" and "minimum of existence wage cost." Brought incidentally into a general treatment of the cost conceptions of value, these distinctions might serve a useful purpose as illustrations, but in a chapter preliminary to the discussion of the treatment of the subject by various writers they only breed confusion.

Again, there are two ways in which such a critical and constructive work can be advantageously arranged. The author may treat it as a development of the various theories of value and distribution without reference to persons, and, taking each chief theory in turn, show its rise and decline, and its connection with what goes before and what follows, and how it has led to the

new theory that displaces or modifies it. This is the method most usually adopted. The other consists in the selection of a few chief economists to illustrate each generation and school of thought with perhaps a chapter or two on minor writers, and then to show one by one how ideas develop in their hands, and this has been done with great success in other fields. For the economists in this case one might suggest Adam Smith, Ricardo, J. S. Mill, Jevons, the Austrian Economists, and Professor Marshall. Mr. Devenport manages to combine the disadvantages of both systems; for he spends far too much time in minute criticisms on individual economists, and gives no connected treatment on personal lines. Considering how wide a range his subject gives him, he would perhaps have been better advised to omit a treatment of individual economists, and confine himself to the first method. For at the present stage in political economy, we require something that shall be critical and selective rather than creative.

But this portentous work apparently tries to take in everything, and covers many times the space needed for that treatment of the question that is most required. It reminds us that the words of King Solomon may have as good an application to the individual book as to the total number of them. For "Of the making of many books there is no end" is surely as applicable to those writers who crowd a huge mass of matter in a single volume that few could read, as to the many who contribute each his small but probably useful quota to a large total number.

N. B. DEARLE

Special Committee on Unskilled Labour: Report and Minutes of Evidence. (Charity Organisation Society, June, 1908. Price 1s.)

POSSIBLY the most valuable result of recent experiments in the systematic relief of the unemployed has been the impetus given to the scientific study of the various aspects of the problem. The special Committee on Unskilled Labour appointed by the Charity Organisation Society was the outcome of a similar committee which inquired into the methods of unemployed relief in London, in the winter of 1903-4, and which reported that permanent improvement must be looked for in a "better organisation of industry bringing about a diminished casualty of work, and a better organisation of the worker to meet such fluctuations as are inevitable." Later experience has only confirmed this view of

the importance of casual labour as a cause of distress from unemployment in London, and the hopelessness of attempting to deal with it by means of temporary relief works.

The search for a real solution is therefore of the first importance, and the work of this Committee is a step in the right direction. Mr. Hamilton's "Introduction," however, is at once something less and something more than the report of a Committee of Inquiry. On the one hand the committee, composed partly of members of the Society, and partly of employers and others more or less expert in the subject, were unable to agree upon a detailed report. They therefore decided to lay before the public their secretary's statement, and confined themselves to a few generalisations which are, indeed, in some respects an advance upon the common generalisations, whether of the public or of theorists, but which are only put forward as an outline to be filled in by further inquiry and experience.

On the other hand, Mr. Hamilton's statement embodies the result of researches of his own beyond the evidence of the witnesses, and also discussions of the economic bearing of the material thus collected, which make it to a large extent an original treatise. The evidence given before the Committee, as is natural in a subject of such scope and complexity, is valuable mainly as describing examples of the organisation of unskilled labour, or of the want of organisation, with the personal opinions of men of practical experience as to the evils of the present state of things, and the possibility of improvement. Mr. Hamilton has supplemented it by material drawn from the records of Distress Committees and Emigration Agencies, the Census, the Board of Trade returns of the fluctuations of employment at the docks, investigations at provincial and foreign shipping centres, and other sources.

The report begins by a general discussion of the economics of casual labour. Being primarily the result of inevitable fluctuations of industry it offers immediate advantages both to employers and to employed. The former gains in the elasticity of his wages bill; the latter gains in mobility. Unfortunately casual employment destroys the very qualities required for the realisation of this mobility, while it fosters thriftlessness and indolence. The result is that the labour is maintained partly by high wages where employed, and partly by outside agencies, public or charitable. Hence the process amounts to a "transference of the responsibility for finding sufficient employment from the stronger to the weaker," with results which have to be paid for indirectly by both parties, and by the community. Nor do its evils tend to be corrected by

the law of supply and demand. For not only is the supply continually recruited by degenerates from other occupations, but the chances of employment attract a speculative supply in excess of the maximum demand.

To break this vicious circle by the decasualisation of industry would, Mr. Hamilton points out, leave society faced with the temporary problem of the speculative surplus which would be rendered wholly unemployed, and the permanent problem of the degenerates rendered economically useless. Mr. Hamilton endeavours to determine the relative magnitude of these problems from the past history of applicants to Distress Committees. His result is inconclusive, but the evidence brings out the one possible function of temporary relief work, viz., to prevent the degeneration of regular workers through temporary depression.

As an introduction to practical methods of decasualisation the report describes in valuable detail the existing conditions of water-side, building, and cartage traders. In spite of wide differences a few common features emerge. In each the labour market consists of so many independent centres of employment—the dock-gates, the separate wharves—the foreman either stationary or moving from job to job over London. Each centre has its *clientèle*—grouped roughly into permanent, preference (whether “A” men at the London and India Docks, or simply men “known to the foremen”), second preference (so to speak), and purely casual and unknown. Each centre has thus its separate “floating reserve” of labour, and at each the machinery of the vicious circle is in full operation. The amount of demoralisation which ensues depends upon the number of centres amongst which a given amount of employment is divided. On this point the case of the London and India Docks—discussed in detail by Mr. Hamilton, and described in the evidence of the Company’s staff inspector—is conclusive. The substitution of the single large unit with a small mobile reserve for the separate centres at each department, has raised the proportion of permanent hands from 20 per cent. to 80 per cent., with an increase of efficiency and reliability in the men which more than counterbalance any incidental inconveniences.

Mr. Hamilton comes, therefore, to the conclusion that the true remedy is to be sought in the organisation of the casual labour market by the “substitution of a large area organised as a single market for labour, in place of a number of small areas in virtual isolation,” means being adopted to render labour “fluid throughout the extent of this large market.” He gives reasons for doubting whether this can be done either through trade unions or,

except to a limited extent, through individual employers, and concludes in favour of the method of public labour exchanges, whereby different employers could draw on the same "reserve," and the members of that reserve receive fairly regular work from a succession of employers.

To meet general depressions, Mr. Hamilton, recognising the inadequacy in the case of unskilled labour of individual thrift, advocates "group responsibility," whereby, as in the sphere of life insurance, the law of averages would be utilised for the assistance of the particular individual on whom the whole burden would otherwise fall.

Whether, in order to make either of these recommendations effective, any form of compulsion would be necessary the report does not discuss. At all events they involve deliberate organisation to remedy evils which the free play of economic forces not only fails to prevent, but tends to perpetuate and increase. The report therefore represents a distinct advance upon the doctrine that the solution of social problems may be left to this operation of natural laws, modified only by the prudence, initiative and energy of the weaker sections of the community.

H. R. MAYNARD

NOTES AND MEMORANDA

THE review in the ECONOMIC JOURNAL for June, 1908, of the Board of Trade's investigation into working-class rents, prices and wages reproduced a table of index numbers intended to represent the real wages in various geographical districts. Rent, prices and wages in London are each taken as 100, and rent, prices and wages elsewhere are worked out as percentages of these; the price and rent index numbers are combined to form a new set representing the cost of living by giving the former a weight of four, and the latter a weight of one. The figures arranged in this manner for three districts are given below :—

	Rent.	Prices.	Rent and Prices Combined.	Standard Wages.	Real Wages.
London	100	100	100	100	100
Midlands	51	93	85	85	100
Ireland	50	97	87	84	97

It may be worth pointing out that the method of weighting adopted leads to a more arbitrary result than appears at first sight. Suppose, for instance, rents, &c., in Ireland, instead of those in London, had been taken as 100; the table given above would read in that case as follows :—

	Rent.	Prices.	Rent and Prices Combined.	Standard Wages.	Real Wages.
London	200	103	122	119	98
Midlands	102	96	97	101	104
Ireland	100	100	100	100	100

Thus, real wages in Ireland now appear to be 2 per cent. better than in London instead of being 3 per cent. worse; and real wages in the Midlands 6 per cent. better than in London instead of being equivalent. As rents are twice as high in London as in the Midlands or in Ireland, the Board of Trade have, in effect, weighted rents in those districts only half as heavily as in London. It is true, no doubt, that a London worker spends a larger proportion of his income in rent than

does a worker elsewhere; but the disproportion is not so great as this, and the method employed goes far towards neutralising the disadvantageousness to Londoners of the high rents they must pay, thus making their real wages appear unduly high. The same uniform weight should not have been given to rent in all districts without distinction.

The error in question is, of course, well known to theoretical statisticians; but the point is so seldom of practical importance that it is liable to be overlooked on the few occasions on which it has a more than theoretical interest. Only the combination of two circumstances is likely to lead to a significant error in the result—very wide fluctuations in an item which is heavily weighted. In the case of commodities, the particular system of weighting adopted is unlikely to have an important effect; but when rent is included, both the above conditions are satisfied, and the consequent error is therefore great enough to exercise a material influence on the conclusion. Mr. Wilson Fox enumerates in his prefatory note to the Board of Trade's report certain unavoidable circumstances which render the results afforded by the Board's index numbers only approximate; but this, the most substantial error of all, and one which might have been partially remedied, seems to have escaped notice. The same criticism applies to the report on Germany. If the North Sea Ports, instead of Berlin, had been taken as base, Berlin would have appeared fourth on the list instead of second, and the order of other districts would have been changed; and by taking Central Germany as base even greater changes in the order would have been effected.

J. M. KEYNES

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NATIONAL FINANCE.

THOSE who take an interest in national finance will have noticed, perhaps with some amusement as well as interest, two sharply opposed but very widely held views as to present conditions. On the one hand, we are told with unhesitating confidence that the revenue-producing power of the present system of taxation has reached its maximum, and that to meet the growing needs of the future, not only in connection with the naval and military services, but also in the realms of social reform, the most pressing duty which lies before the Chancellor of the Exchequer is to "broaden the basis of taxation." Another large section of the population is equally insistent that taxation is already so heavy

as to bear oppressively upon commerce and industry; they see in the recent course of national trade the unfavourable influence of war taxation.

Without taking sides, it is possible to obtain an instructive sidelight upon both views from a few figures relating to the national debt. Unless they have sufficient curiosity to analyse the returns of revenue and expenditure in the light of Budget speeches, few taxpayers realise that during the past three years they have assisted to provide not merely for the normal "services" of the country, but also more than £39,000,000 for debt redemption. The figures are :—

1905-6	Net reduction for year	£7,746,304
1906-7	" " "	9,825,483
1907-8	" " "	16,839,000
1907-8	Surplus of income over expenditure	4,726,000
Total		<u>£39,136,787</u>

Of course, the last item of four and three quarter millions will form part of the current year's sinking fund, the full extent of which is not revealed at the time of writing, but it arises from the past year's Budget, and its ultimate destination is assured—unless it is specially diverted by Act of Parliament to some purpose other than the customary automatic appropriation to "old sinking fund."

So large a redemption of debt within so short a period is unprecedented, and it will be realised that debt redemption has been the one object of recent finance to which all else has been subordinated. There have been remissions of taxation, but they have been neither "popular" nor very effective. They have arisen more from a desire to conform to strict free trade doctrine than to reduce the dead weight of taxation; indeed, the one effort seems to have been to maintain all sources of revenue except those which offend against the theories of the dominant economic school.

The necessity of debt redemption is admitted, especially in view of the large increase due to the South African War, but, as bearing upon the two points of view that have been mentioned, it is interesting to ascertain to what extent the great reduction of the past three years has been due to what may be called voluntary or supplementary appropriations—those in excess of the compulsory amounts required to be provided under the Finance Act of 1903.

When Mr. Austen Chamberlain succeeded to the office of Chancellor, he found the fixed charge for debt—*i.e.*, interest and

“new” sinking fund—standing at the normal twenty-seven millions. He added a round million for the financial year 1905-6. In the succeeding year Mr. Asquith maintained this increase, and added another half million. Again, in 1907-8 he maintained the million, and added another million and a half, which has been commonly described as “car-marked” for old-age pensions. These items work out as follows :—

ADDITIONS TO “NEW” SINKING FUND.

1905-6	Mr. Chamberlain added	£1,000,000
1906-7	Mr. Asquith continued	1,000,000
„	„ added	500,000
1907-8	„ continued	1,000,000
„	„ added	1,500,000
Total.....		<u>£5,000,000</u>

The third and last items were temporary, but still they count, and it will be realised that the “new” sinking fund has been very real and effective during the three years. The full amount which it has provided in the period has been :—

“NEW” SINKING FUND.

Financial year, 1905-6	£3,449,338
„ „ 1906-7	5,482,621
„ „ 1907-8	10,883,000
Total.....	<u>£19,814,959</u>

A comparison of this latter total with the preceding one makes it apparent that between a third and a fourth of the “new” sinking fund for the three years has been an entirely voluntary contribution. The soundness of the finance which dictated such an extension of what, until 1905-6, had been the legally specified allocation for debt redemption, may not be questioned. The fact that it was voluntary is the point to be remembered.

Whether the surpluses of the three years, which constitute what is called the “old” sinking fund, will be regarded quite so tolerantly, is open to question. It is a canon of finance that, normally, a large surplus is as much a sign of bad finance as is a deficit. The last three financial years have been years of substantial surpluses, and in each case the bulk of the excess has arisen from the fact that the realised revenue has been greater than the estimate. To some extent this may have been accidental in the sense that it was impossible to measure exactly the improvement in revenue which would follow trade expansion. But hitherto the generally accepted belief has been that the

Treasury officials were capable of estimating revenue to within a very narrow margin. True, faith in this ability has been rather shaken by last year's experience in connection with income tax—they estimated that the remission of threepence in the pound on earned incomes would mean a loss of £1,100,000 compared with the yield of a uniform shilling tax in 1906-7, whereas the actual yield, notwithstanding the remission, was £770,000 more. But probably, when the amounts of the surpluses for the three years are examined, many critics will incline to the opinion that the estimates have been what is euphemistically called "very conservative." The amounts have been :—

SURPLUSES—"OLD" SINKING FUND.

Financial year, 1905-6	£3,465,620
" " 1906-7	5,399,000
" " 1907-8	4,726,000
Total.....	<u>£13,590,620</u>

The combined amounts of the "new" and "old" sinking funds do not agree with the total reduction of thirty-nine millions set out above. To some extent this arises from the fact that the first three of those items are net reductions—i.e., after allowing for new debt created—and there is another source of error in that these net reductions have included miscellaneous items such as the China indemnity, and the proceeds of Suez Canal shares paid off, which are not included in either the fixed charges or the surpluses. Allowing for this, however, the main object of this brief investigation is illustrated.

The final stage of the inquiry is reached when the extra five millions of the "new" sinking fund are added to the thirteen and a half millions of the "old" sinking fund to make a total of eighteen and a half millions of extra or voluntary debt redemption in three years. If the main object of the Budgets had been to remit taxation, and if, with that end in view, instructions had been given to the Treasury officials that estimates were not to be too "conservative," much of the eighteen and a half millions, if not all, could have been "consumed" in advance by reduced taxes. What reductions might have been made may be left to be the subject of interested speculation, but it may stimulate curiosity to point out that the margin would have been sufficient to cover a remission of 2*d.* in the pound off income tax for the whole period, or to wipe out the sugar duty completely. On the other hand, they who talk of the necessity of "broadening the base of taxation" may usefully remember that here are eighteen and a

half millions, which, given reasonably optimistic Budgets, and the determination to let the sinking fund take its ordinary course, could have been absorbed by projects other than debt redemption.

[Since this note was written the Budget speech has been made, and the net reduction of debt for 1908-9 is estimated at £14,400,000. This does not affect the total of the "old" sinking fund as given inasmuch as the £14,400,000 includes the surplus from 1907-8 (subject to the slight adjustment mentioned in the speech, which, after all, is merely a matter of account); but another ten and a quarter millions will be added to the "new" sinking fund, making the total at the end of 1908-9 just over 30 millions. The net debt reduction for the four years thus becomes nearly 49 millions, and for the period for which Mr. Asquith has been responsible, just over 41 millions. Further, the latter reduction will mean a saving in interest of nearly one and a quarter millions annually, which, a year hence, will give a permanent charge of 28 millions for debt service, the equivalent effect of one of 29 $\frac{1}{4}$ millions in 1906-7.]

A. DUDLEY EVANS

RECENT OFFICIAL PAPERS.

Report of an Enquiry by the Board of Trade into Working Class Rents, Housing and Retail Prices, together with the Rates of Wages in Certain Occupations in the Principal Industrial Towns of the German Empire. [Cd. 4032.] Price 4s. 11d.

IN this report is presented the second instalment of the results of the investigation undertaken by the Board of Trade into the cost of living of the working classes in the United Kingdom, Germany, and France. The first country was dealt with in the report published early this year [Cd. 3864], and noticed in the June number of this JOURNAL. The present report relates to rents of working-class dwellings, the prices "usually paid by the working classes for food and fuel," and to wages and hours of labour, chiefly in the Building, Engineering, and Printing Trades, and in some municipal employments, in thirty-three of the principal industrial towns of Germany. Besides the general report, containing a *résumé* and discussion of the methods and results of the inquiry as a whole, there is a separate monograph on each town, giving much valuable information respecting not only prices,

rents, and wages, but also the distribution of occupations, the organisation of industry, wages' agreements, factory rules, workmen's societies, vital statistics, municipal enterprise, &c.

One of the chief objects of the investigation being to obtain the data necessary for a quantitative comparison of working-class conditions in the countries under observation, the inquiry was conducted, as far as practicable, on identical lines to those pursued in the case of the United Kingdom. Most of the statistics of rents, prices, and wages relate accordingly to the month of October, 1905, though much information of a later date is given.

The actual amounts of rents, prices, and wages paid are printed, but all comparisons are made by means of Index Numbers, the construction of which is, on the whole, similar to that adopted in the United Kingdom report. Berlin, however, unlike London, has not within itself numerous examples of all the prevailing types of working-class tenements found in the course of the inquiry. Hence the rent index numbers are based on the "means of the predominant rents for each class of tenements" in all the towns together, excluding, apparently, Berlin. The resulting index number for Berlin is then made 100, and the index numbers for the other towns adjusted accordingly.

The index numbers for retail prices are based on the "predominant range of prices" paid by the working classes for certain articles of food, and for coal, in October, 1905—a period too short to yield perfectly trustworthy results, for reasons stated in the notice on the United Kingdom report, already referred to. The exact meaning of the phrase "predominant range," and the method of fixing the limits of this range, are somewhat obscure. It appears to be equivalent to a "modal" range, and to be the prices most often paid. The prices selected for the index numbers are weighted by numbers proportional to the quantities of the respective commodities consumed on the average by a working-class family, as estimated from over 5,000 budgets of income and expenditure collected by the Board of Trade. The budget families are dispersed throughout the country; but, despite this fact, doubt may be expressed as to whether they are a fair sample of the working classes, since "*family* budgets were sought for," and the "proportion of children in the budget families is clearly likely to be very much greater than in the population as a whole" (p. xxii), and, one may add, presumably greater than in the working-class portion of it. Index numbers are formed for rents and prices combined, by giving the latter a weight of four as

against a weight of one for rent. The expenditure on rent, as shown in the budgets, is, unfortunately, not published, and one can only suppose that the budgets revealed that, on the average, the weekly food-bill was four times as much as the rent.

Finally, index numbers are given, representing the level of wages in the Building, Engineering, and Printing Trades, and some municipal employments, though the latter do not enter into the construction of a set of index numbers designed to indicate the level of "Real Wages." These index numbers appear to be based partly on actual earnings, and partly on standard wages, in which case they are of doubtful value for comparative purposes.

The several sets of index numbers for various geographical divisions of Germany are summarised as follows :—

Geographical Division.	Mean Index Numbers.				
	Rent.	Prices.	Rent and Prices Combined.	Wages. ¹	"Real Wages."
Berlin	100	100	100	100	100
Central Germany	35	99	86	85	99
Rhineland Westphalia—					
Textile Towns	55	104	94	87	93
Hardware Towns	64	100	93	89	96
South Germany	65	107	99	82	83
Saxony	47	102	91	83	91
Silesia	52	91	83	85	102
Baltic Ports	52	99	89	79	89
North Sea Ports	59	101	93	93	100

¹ Skilled men in Building, Engineering, and Printing Trades.

To the Englishman, the most interesting part of the report is that in which comparisons are made between the cost of living in Germany and in the United Kingdom. These comparisons are mainly considered from the point of view of the English migrant to Germany, who endeavours to maintain the same standard of living as in his native country. Many difficulties stand in the way of such comparisons, and while some are carefully handled in the report, others are inadequately dealt with. By re-calculating the rent index numbers for Germany on the London basis, they are made comparable with the United Kingdom figures. But while rents in the United Kingdom generally include an element of local taxation, in Germany they do not (except for water). A correction has therefore been made to the former by deducting 18 per cent. for local taxation purposes—an amount arrived at after communication with the local authorities of fifty towns in the United Kingdom. The result gives the ratio of

rents in Germany to those in England and Wales as 123 to 100. This, however, assumes equal accommodation, whereas, in fact, the rooms in the German tenement are stated to be "as a rule distinctly both larger and loftier than the English." The German index number would accordingly appear somewhat too high, relatively to the English.

The index number for (weighted) retail prices is given as 118 for Germany, compared with 100 for England and Wales, and for rent and prices combined as 119 and 100 respectively. These ratios, however, like that for rent, appear too unfavourable to Germany. The German, for instance, buys his meat without bone and fat, so that what he pays in price above the Englishman he probably gets in consumable meat. It should not have been impossible to have made a correction to the index numbers on this account. But the report "neglects" such "minor differences," although where they could have been allowed for it would certainly appear desirable to have done so. A correction for the difference just referred to would probably reduce the German index number by several points.

The index numbers for weekly wages in the Building, Engineering, and Printing Trades are given as 83 for Germany and 100 for England and Wales. As already stated, however, the German index numbers are based on a mixture of standard rates and actual earnings, and are in consequence unsatisfactory. The report suggests that the German rates "appear somewhat too high relatively to the English." In connection with wages, it is important to have regard to the number of hours worked. These are 11 per cent. more in Germany than in England and Wales, and, allowing for this, the hourly earnings of the German are estimated to be only about 75 per cent. of those of the Englishman in the three groups of trades selected. In the formation of these index numbers, the amount of unemployment, though an important factor, is not considered.

Summing up, it is seen that under all four heads of rent, prices, wages, and hours of labour, Germany appears worse off than England and Wales; but, for the reasons adduced above, the comparisons seem unduly unfavourable to the former country so far as rents and prices are concerned, while, as regards wages also, the comparison is of doubtful validity.

A. D. WEBB

*The Report from the Select Committee on the Hop Industry.
Ordered to be printed July 6th, 1908. 213.*

THE imposition of a duty on foreign hops was the one sufficient remedy for depression in their industry which the majority of the hop-growers could suggest to the recent Select Committee, and the Committee's report might briefly be described as an exhaustive argument against such a duty. But where the Committee of 1890 issued a very short report, summarily rejecting the idea of an import duty, and not suggesting any other remedy, this Committee, in a report of 20 pages, deal with the position of the industry at home and abroad, discuss fully all the remedies that were put before them, and make some recommendations to Parliament, which, if adopted, should prove of no little value.

The most important of these, perhaps, is the one advising that brewers be made to declare the use of foreign hops. The Committee state that one of their reasons for refusing an import duty is the plea of some brewers that they must have foreign hops to mix with English ones. The report, however, suggests that consumers should be given the opportunity of deciding this question, and that not only the brewers' books and the Inland Revenue returns, but also every cask and bottle should tell the public what proportion, if any, of foreign hops has been used in brewing their beer. Secondly, the Committee recommend that the Marking Act of 1866 should be applied, as far as possible, to foreign hops. Many growers are confident that this would put an end to the smaller importations from Germany and Belgium, since these are mixed lots and could hardly be given a mark. Thirdly, the Committee state that the use of hop substitutes and preservatives is undesirable, and should be prohibited. Fourthly, they recommend that the burden of extraordinary tithe should be removed from land that is no longer under hops, and finally, that by extension and development of the Departments of the Board of Agriculture, English farmers be given better information about the hop industry in other countries.

Taken altogether, these recommendations are capable of effecting a great improvement in the position of English hop growers, but since their main request for protection has been rejected, the farmers' clubs which have already discussed the report express little gratitude to Sir William Collins and the Committee for the patience and fairness with which they have conducted the inquiry.

In dealing with the demand for an import duty, the report
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first shows that, quite apart from foreign competition, many home influences have helped to produce the present depression. Some of these are of long standing—the unequal treatment of English and foreign hops in the matter of marking, the extraordinary tithe, the rise in rates, possibly the matter of railway charges, and the system of tenure of hop-lands. More recent influences are, first of all, the reduced consumption of beer; there has been a steady fall from 37 million standard barrels in 1900 to 34 million in 1907. Then the proportion of hops used to each barrel has diminished, owing to a change in the public taste and in brewing methods. Slighter influences are noticed in the use of hop substitutes, and in the arsenic scare of 1904 and 1905. Of cardinal importance, however, are the two remaining internal causes of depression—cold storage, and the excess of supply over demand. The former is a comparatively new process, dating back about fifteen years, but owing its great development to the present century, and perhaps especially to the huge crop of 1905. 1904 had been a very short year, with prices running up to £10 per cwt. In 1905 they were down to £2. The brewers made the most of their opportunity. Mr. Hanbury, speaking of his own experience, said to the Committee: “Hops were very cheap, and the brewers bought large quantities to put into cold storage. In my own firm we filled our own cold store, then bought another and filled that, and eventually had to put hops away elsewhere as well.” The growers have based their recent outcry chiefly on the assertion that the low prices obtaining in the last two years are altogether exceptional, since these years have been short ones. Cold-storage is largely responsible for this, and one is inclined to wish that the Committee had put more stress on the fact. The words of Mr. Gretton’s minority report show the real significance of the new process: “It has tended to regularise the prices of hops and to keep them on a lower basis than formerly, as it enables brewers to hold a stock of hops with comparatively little deterioration from season to season.” The growers complained to the Committee of 1857 that rapid deterioration compelled them to sell their hops, however low the price might be. The brewers, on the other hand, had to buy, however high the price, and in the memorable “blight” year of 1882, they actually paid as much as £30 a cwt. But with the development of cold-storage a great change has come, and hop-growers will have to alter their methods. The “long view,” which expects occasional years of large profit to compensate for years of unprofitable prices, must be largely modified.

Perhaps the words which the Committee use of the famous Saaz district in Bohemia point to the necessary reform: "Great attention is paid to quality; the hops are not forced or over-manured." Most English growers maintain that manure is not a large item in the cost of cultivation, but it cannot be denied that the application of artificial fertilisers increases the risk of hop growing, and, by making the plant more liable to "go off," involves additional expense.

Further, the adoption of less intensive methods would reduce the yield, and, as it seems clear that the industry is suffering from over-production, this would be another step in the right direction. The Committee's statistics for this matter have been criticised. They admit that there has been a great decrease in acreage, from the maximum of 71,789 acres in 1878, to the lowest figure for the last half-century, viz., 44,938 in 1907; but they state that intensive cultivation has kept the supply constant. They take the figures for the average annual crop, and show that these, whether grouped in periods of four, seven, or ten years, display no material falling off in the home production of hops. When it is remembered that the demand has undoubtedly decreased, it will be seen that the position is not unlike that involved in Rodbertus' theory of over-production. One is compelled to think that gambling too often replaces sound business principles in hop-growing.

After this the Committee can turn to foreign competition with the assurance that it is by no means the sole cause of depression. It is here that they begin substantially to differ from the minority reports of Mr. Courthope and Mr. Gretton, which admit the depressing influences mentioned above, but consider the chief evil to be foreign imports. Mr. Courthope would tax these 40s. per cwt., exempting colonial imports from half the duty; Mr. Gretton proposes 28s. on foreign hops, but no duty on those from the Colonies.

The majority report does not consider foreign competition so potent a factor in the recent depression as to demand the exceptional treatment of this particular industry. Its statistics show the average annual importations to have decreased during the last two decades, though the hop-grower replies to this that he does not care what the average may be, but complains that his market is spoilt by large importations, when, as in 1904, the English crop is short and promises to fetch a good price.

The Committee also refer to the probability of over-production resulting from the imposition of a duty, and they note that the

combination of hop-growers for mutual protection and advantage seems as unworkable in the future as it has been in the past. Lastly, hops are a raw material of the brewing industry, and their case is not so exceptional that other agricultural products could not also adduce plausible arguments for protection.

This practically sums up the actual conclusions of the Committee on the question of a duty, but incidentally some strong points are made, which might have been developed. Thus, stress might have been laid on the statement that prices have been as low as £1 12s. 8d. in the United States, in spite of the import duty of 56s.: this might help to answer the claim of the first minority report that a duty in England would steady prices. And further, since it is American competition that is most feared, something more than a statement of the general position in the United States might have been given. The phenomenal shipments (chiefly of old hops), which caused so much excitement during March and April this year, are attributed to the desire of the importers to secure the advantages that would result from a duty, and to "forebodings and anticipations" which the Committee hope their report will "dispel and discourage." They might have given the English grower more assurance by emphasising the undoubted distress of the small American grower, and by pointing to the very speculative nature of the aims of the two or three American syndicates which run the great bulk of the imports. They may, however, have felt that such work is best left to the Board of Agriculture. Their concluding words seem to entrust the future of the industry to that Department.

E. CLEVELAND-STEVENS

Report of the Commission on Taxation. (Boston: State Printers.)

THE taxation of personal property and other questions of general interest are considered, with special reference to American institutions.

Report of the Commissioner of Corporations on Cotton Exchanges. (Washington, 1908.)

PART I. deals with future contracts, in which the seller has an option of delivering different grades with a corresponding

"difference" of price. Parts II. and III. deal with cotton-exchange methods of classifying cotton and with the range of contract grades.

CITY NOTES

WE have received the following "City Notes" from "R. G." :—

Cheap Money.—In our June Notes reference was made to the reduction of the Bank-rate at the end of May to $2\frac{1}{2}$ per cent. as about the last step on the way to a stagnant money market and a long reign of 2 per cent. The anticipation has been confirmed, and the money market has continued sluggish; but as yet there has been no official fall to 2 per cent. The opportunity of cheap money in London has been made use of very largely by the Continental banks to replenish their gold reserves; new issues of every kind have also increased, and preparations for large new Government loans, especially Russian, but including issues nearer home, are spoken of; some little revival in the more speculative issues on the Stock Exchange, employing a portion of the surplus money, has likewise taken place. In these ways the actual decline in the official rate to 2 per cent. has been prevented. The main feature of the money market nevertheless is stagnation. In other words, the "strike of capital," such as always follows a period of inflation and collapse, is once more with us.

Trade Dulness.—The signs of trade dulness have also been accentuated. The falling off in imports and exports in the leading countries is quite proportioned to the vast increase which took place in the three years ending 1907, being largely, of course, a decline in values consequent on a fall in prices which is the result of the dulness. The accounts of unemployment are also what might be expected in such circumstances, the official figure as to unemployment among trades unions having risen to 8 per cent. and upwards. The inference as to unemployment generally being an equal percentage of all workmen is not justified, because the trade union "unemployed" really include large numbers of superannuated and others who ought not properly to be so classed, while there are many occupations, such as railway and domestic service, where the margin of fluctuation in employment is small, so that the trade union figures are *not* a good sample of general employment. Still, apart from figures, the

reports as to want of employment in leading trades, especially shipbuilding and the iron trades, and the building trades, are most serious, and there is no doubt that the condition of things in manufactures and industry is probably more unsatisfactory at the present time than it has been for many years.

Decline of Revenue.—One of the most unpleasant symptoms of this unsatisfactory condition is the decline of revenue which is an unwonted feature in our national finance for almost forty years, and may seriously affect Budget arrangements. None the less, a falling off of revenue in times of bad trade was formerly a most common occurrence. Even Mr. Gladstone was put out in his Budgets in 1860-2 by an unexpected decline of revenue consequent on the general discredit and stoppage of business attending the outbreak of the American Civil War. There ought to be no cause for surprise, therefore, that a decline in the volume of business following a great collapse like that which occurred a year ago is also accompanied by a falling off in the national revenue. The consequent result of great difficulty in making up next year's Budget ought to be foreseen. It is premature to make calculations till it is seen what the falling off really amounts to at the end of the current year, and whether it is likely to continue: but this changed condition of the national finances cannot but have far-reaching effects.

The Death Duties.—One consequence of the general dulness is already visible in the discussions on the death duties and the high income tax. The continued weakness in gilt-edged securities which might usually be expected to improve in a period of cheap money, excites more and more attention, and the usual explanation of new Government loans, actual and impending, is not accepted as completely explaining the phenomena. There has not been a period for many years in which new borrowing for governments has not been going on. There is a disposition accordingly among those who engage in the discussion to ascribe the dulness in the markets for gilt-edged securities to the new causes of the last few years—the high death duties and the high income tax which largely absorb money that would otherwise go into the investment market, or what is much the same thing, actually cause the sale of gilt-edged securities so that the taxes may be paid. In this last connection a remarkable statement by the new Duke of Devonshire as to the difficulty he has himself experienced in paying death duties is much referred to. We are

inclined to think that those who connect high death duties and high income tax with the depression in gilt-edged securities and with depression generally are not without warrant, and the view is in accordance with what has often been urged in these Notes. High death duties and high income tax in time of peace are not good finance, and there can be no real recovery in Consols or other gilt-edged securities until a return is made to sound methods of finance, which require first of all light and moderate *direct* taxes, as well as indirect. Whether the lesson will be learnt by the time next Budget is produced remains to be seen, but until it is learnt the national finances must go from bad to worse.

Expenditure on Armaments.—It is urged by some that the real cause of our bad finance is the expenditure on armaments, and this may be the case to some extent. The nations of Europe, the United Kingdom included, might obviously have better finance, for a time at least, if they spent less on army and navy. Unfortunately expenditure on armaments is not always a matter of choice for an individual nation any more than expenditure on dykes to keep out the sea is a matter of choice for the population of Holland, and may really be cheaper in the end than the disasters of actual war, just as the maintenance of dykes in Holland is cheaper than the disaster of an inundation. The allegation as to armaments thus carries one a very little way in the discussion, except to emphasise the fact that, if such expenditure on a large scale is felt to be necessary, the nation, both individually and collectively, should look to its ways and means and to other branches of expenditure as well as army and navy, and not esteem itself richer than it really is.

The American Monetary Commission.—An event of some interest has been the arrival in this country at the beginning of August of a Government Commission from the United States to study the methods and practice of European countries as to banking and currency, and take evidence of European experts, with a view to banking and currency legislation in their own country later on. The Commission is headed by Senator Aldrich, one of the best known authorities in the States on banking and currency, and who had a bill of his own on the subject in the last session of Congress. The Commission must have valuable results, not only for the United States, but for European countries as well. The investigation of the whole subject by a foreign

Commission, considering it from a different point of view (the history and economic condition of the United States being unlike those of any European country), will be extremely useful all round, not the less so that the United States history itself has been peculiarly chequered, and that bankers, merchants, and the Government there have had special difficulties to contend with. If we might make a suggestion to the United States authorities it would be that the whole study should be made with the utmost freedom and with the readiness to depart from old formulas, whether of American or European origin, characteristic of the United States people in other business arrangements. Why should not banking, for instance, be entirely free, so that any person or company may start a bank if they please, with as many branches as they please, just as they could start any other business? And why should not any bank have liberty to issue notes, subject only to the obligation of paying on demand notes that are expressed to be so payable, without all the elaborate arrangements for depositing bonds to secure the circulation and so on, which only obscure the subject? If there were complete freedom strong banks would live and grow, and weak banks die out, and the question of sufficient currency, varying with trade requirements, would settle itself. Possibly at first a *régime* of complete freedom would foster speculation, though we think not; but the evil in any case would cure itself. On the whole, in spite of all the difficulties caused by too much legislation and interference, banking in the United States since the Civil War has become steadier from period to period, just as it has done in most European countries; and the present writer has no doubt that the improvement will continue with or without changes in the Government arrangements. Credit keeps getting better from period to period, and that is the main thing; but it is as well to give bankers and merchants as much liberty as possible to make their own arrangements.

R. G.

CURRENT TOPICS.

At the annual bankers' dinner at the Mansion House on July 3rd, the Governor of the Bank of England made a number of interesting references to the 7 per cent. bank rate in November. The rate attracted gold to the Bank from seventeen different centres. It "came from comparatively poor countries like the

Scandinavian group, and even the small island of Malta contributed to the fund." He claimed that much of the success with which the crisis was met was due to the fact that the banking system was not fettered by legislative enactments. He referred particularly to the action of the Governor of the Bank of France, who did much to relieve the strain by sending to the London market three million sterling for investment in English bills. The speech is reported in *The Times* of July 4th.

THE subject of the direct representation of co-operators in Parliament was discussed at the Co-operative Congress which met at Newport, Monmouth, during June. The advocates of the proposal contended that it was "undignified and humiliating that they should have to ask for assistance from Parliament when they had the power to secure it." The proposal was strongly opposed on the grounds that no questions arose in the House of Commons which were confined to co-operators. The motion was defeated by a large majority.

THE Council of the Charity Organisation Society have issued a statement condemning the non-contributory basis of the measure for Old Age Pensions. They consider that pension societies will reconsider their position, and that there will be a general relaxation of the efforts of relations and friends. Proceeding to wider issues, they argue that if personal responsibility for provision against old age can be safely abolished, there is no logical reason for confining the principle to this particular case. They therefore foresee "an irresistible agitation to multiply the occasions on which public money must be expended," and conclude that the measure is the beginning of a change which "all who regard character and thrift as necessary contributory elements in the comfort and happiness of the mass of the people should strenuously resist." The statement is to be found in *The Times* of June 2nd.

PROFESSOR PIGOU also contributed to the discussion of the Old Age Pensions Bill in a letter to *The Times* of June 24th. He pointed out that any sliding scale must discourage the efforts to increase the income between the limits within which the scale operated. He suggested, therefore, for consideration the possibility of excluding not those with incomes above a certain sum, but those outside certain definite classes. All, for example, who

were not embraced in the manual labouring class or in certain defined categories of clerks might be excluded.

THE British Constitution Association have sent two statements of their views on Poor Law reform to the Royal Commission on the subject. They consider that the Poor Law work of the Local Government Board should be transferred to a new department dealing exclusively with the relief of distress. They also suggest that Boards of Guardians might be strengthened by giving to the County Councils and other statutory authorities within the poor law area the right to appoint representatives.

The Times of July 31st contains a long letter from Professor W. J. Ashley on the proposal to establish wages boards in sweated trades. He accepts the argument that these trades are "parasitic," but "is obliged to confess to the gravest doubts as to the feasibility of the measure." The chief reasons which lead him to this conclusion are as follows:—(1) The argument from the success of the present factory laws is weak, as the conditions in factories are far more open to inspection than those of widely scattered homes workers. (2) The success of voluntary wages boards in organised trades is not a criterion of their effect in unorganised trades. (3) Experience shows that the decision will rest with the chairman. On what principle is he to determine his minimum? In the organised trades there are certain general understandings which have guided him, but there are none in the sweated industries. (4) The experiment in Victoria is not very conclusive. The Victorian Act of 1896 was passed during a period of severe depression, and was evaded while this depression lasted. The determinations were indeed enforced in 1906, but this was a year of extraordinary prosperity. Moreover, the total number of outworkers in Victoria is 1,600, while in the clothing trades alone in England and Wales 200,000 women and girls are employed as homeworkers. (5) The difficulty of enforcing the Act will show itself during periods of depression. For this reason the present is a peculiarly unfortunate time in which to initiate the experiment. Finally Professor Ashley recommends the system of registration, and urges that the first steps could be taken by the Government enforcing the payment of a minimum wage in its contracts.

THE report for the year 1907-8 of the British Section of the International Association for Labour Legislation shows progress.

The Bulletin of the International Labour Office has appeared in an English edition, containing the text of recent labour laws in all countries, notes on action taken in the interest of labour in the different Legislatures, and other valuable information. There has also been published a report on the administration of labour laws in the United Kingdom. The report takes the form of answers to a prescribed set of questions relating to the inspectorial staff, the co-operation of the workers in the administration of the law, and other particulars. This instructive document is drawn up by Miss Sophy Sanger, the hon. secretary of the British Association for Labour Legislation.

THE *Economic Bulletin*, published quarterly by the American Economic Association, contains a department of "Personal and Miscellaneous Notes" announcing recent appointments to academic positions, and other events of interest to economists. Another noticeable feature of the *Bulletin* consists of the reviews, which are at once brief and authoritative, cover the field of recent literature evenly, and appear soon after the publication of the works reviewed.

WE cannot attempt to rival our contemporary in the registration of the changes in the tenure of economic offices throughout a continent. But we cannot pass over in silence the death of Professor Schönberg, the editor of the stupendous *Handbuch* which is known by his name. He has been succeeded in the Tübingen chair by Professor Harms, translated from the University of Jena.

ANOTHER eminent economist is lost to Tübingen by the resignation of Professor J. Neumann. His name also is familiar to students of the *Handbuch*. His article on the formation of price is distinguished—like De Quincey's economic writings—by the instructive and *recherché* character of his examples. His advocacy, in a separate work, of progress and taxation is said to have largely influenced opinion in Germany. He is succeeded by Professor Carl Fuchs, the author of a work on the trade policy of Great Britain (1893), which was reviewed in the *ECONOMIC JOURNAL*. It has recently been republished in an English version, with a laudatory introduction by Mr. Parker Smith. An almost prophetic power of insight may indeed justly be attributed to the writer, who discerned in the early 'nineties a tendency in English opinion towards protective arrangements with the Colonies.

MR. C. S. LOCH has resigned the Tooke Professorship of Economic Science and Statistics at King's College, London. He is succeeded by Mr. E. J. Urwick, the Lecturer to the School of Sociology. Mr. Urwick is the author of a recently published book on "Luxury and the Waste of Life."

MR. H. J. MACKINDER has resigned his position as Director of the London School of Economics and Political Science. He is retaining the Readership in Geography in London University. His successor at the London School of Economics is Mr. W. Pember Reeves, the High Commissioner for New Zealand. As Minister of Labour in New Zealand he was responsible for the well-known Compulsory Conciliation and Arbitration Act. He has described the legislative experiments of Australia and New Zealand in two works—"The Long White Cloud," and "State Experiments in Australia and New Zealand." He is also the author of an "Introduction to the History of Communism and Socialism."

DR. JAMES BONAR, deputy Master of the Canadian Mint, will be among the non-resident lecturers in political economy at the Johns Hopkins University during the academic year 1908-9.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

JULY, 1908. *German Colonies*. B. VON KOENIG. The exports and imports (in all some 250 millions marks), the cost to the mother country (against which there is a set-off of 60 per cent.), and other aspects of the German colonies, are considered. *Underpayment and Sweating in a Provincial Town*. REV. A. J. CARLYLE. This is a report prepared by a Committee of the Oxford City branch of the Christian Social Union. The general wages in Oxford are lower than in most large towns. Low wages of men lead to the employment in large numbers of married women and schoolchildren. The average earnings of women are probably from 9s. to 11s. *The Marginal Utility Theory*. W. W. CARLILE. "Is the position taken up by Professor Marshall sustainable? . . . The utility of the thing bought is never just equal to the utility of the money given for it, but is always greater. If it were not greater why should the thing be bought?"

Journal of the Royal Statistical Society.

The Peradventures of an Indian Life Table. SIR T. ATHELSTANE BAINES. The effects of good and bad cycles of harvest are traced in the age-distribution of the Indian population. The proportion of children under five is particularly large. *Food Taxation in the United Kingdom, France, &c.* S. ROSENBAUM. Taxes on food yield less in the United Kingdom, taxes on drink more than in the three compared countries. Taxation of food has here increased largely since 1895, while there nearly stationary. *On the Probable Errors of Frequency-Constants. I.* PROF. F. Y. EDGEWORTH. *Development of the North-West Provinces of Canada*. E. H. GODFREY.

The Fortnightly Review.

AUGUST, 1908. *Sweated Industries*. G. R. ASKWITH. Undeterred by the old scare that it is dangerous to drive a knife into delicate machinery, the writer sees no reason why the analogy of existing Wages Boards—arrangements of which he himself had experience—should not be applied where neither employers nor employed are organised.

The Edinburgh Review.

JULY, 1908. *Lord Milner and Canadian Preference*. Lord Milner's statistics are severely handled.

The Quarterly Review.

JULY, 1908. *Canadian Problems and Parties*. Referring chiefly to the question of immigration. *Old Age Pensions*.

Quarterly Journal of Economics (Boston).

MAY, 1908. *Capital Interest and Diminishing Returns*. F. W. TAUSSIG. "Are these advances to labourers? Do capital goods reproduce themselves? The law of diminishing returns as applied to capital by Carver, Clark, and Böhm-Bawerk"—such are the topics discussed. *Administrative Supervision of Railways*. H. C. ADAMS. A discussion of the twentieth section of the Act to regulate commerce (passed in 1887, amended in 1906). *The Relation of Monopoly Price to the Rate of Interest*. A. S. JOHNSON. *Australian Economic Problems. I. The Railways*. V. S. CLARK. A not unfavourable picture. *The Price Policy of the United States Steel Corporation*. E. S. MEADE. The policy of keeping the price of steel constant, however general prices may fall, is defensible.

Political Science Quarterly (New York).

JUNE, 1908. *Marxism versus Socialism. I.* V. G. SIMKHOVITCH. *Protection and Capital*. A. S. JOHNSON. It is argued that protection stimulates the formation of capital. "Had all modern States maintained absolute free trade the vast capitals of modern industry would have been unknown."

Annals of American Academy (Philadelphia).

MAY, 1908. This number deals with the Control of Municipal Public Service Corporations. The control of companies owning municipal monopolies is compared with municipal trade. The Commissions recently established by the State of New York for the regulation of "Public Service Corporations" are described by several writers. Some business men complain of legislative restrictions; but the general impression given is favourable.

JULY, 1908. This number deals with the discussion of *Federal Regulation of Industry*. Part III. "On the Government and the Railways," contains a paper on *Governmental Regulation of Railroads*, by PROF. EMORY JOHNSON, who gives a concise and lucid statement of the latest developments of government regulations, State and national, in America. "The time has come," he thinks, "when we must accept not only the soundness, but the desirability of the practice of investing in some public body the power to say to the carrier that his charge, from the public point of view, is or is not a reasonable one."

A supplement to the July number deals with Child Labour and Social Progress.

Journal des Économistes (Paris).

MAY, 1908. *Le rachat de l'Ouest*. G. DE NOUVION. *La concentration industrielle. Les trusts et les cartels*. A. HUART.

JUNE. *Le contrat de travail*. É. ROCHETIN. *Une nouvelle théorie de la répartition de la richesse*. M. BELLOM. *Augmentation de la monnaie divisionnaire en Allemagne*. A. RAFFALOVICH.

JULY, 1908. *Le vol et l'échange*. G. DE MOLINARI. *Mouvement financier et commercial*. M. LABLET. *Revue des principales publications économiques de l'étranger*. E. CASTELOT. This survey includes several Spanish economic periodicals, throwing light on the question whether Spain has lost by being parted from her Colonies, how much Cuba has gained by parting from Spain.

Revue d'Economie Politique (Paris).

JUNE, 1908. *L'Assurance ouvrière en Autriche et les projets de réforme*. M. BELLOM. *La circulation, le crédit et leurs instruments en Egypte*. P. ARMINJON et B. MICHEL.

JULY, 1908. *Les relations commerciales Franco-Allemandes*. B. RAYNAUD. *Du Système monétaire du Grand-Duché de Luxembourg*. G. PAILLARD. A history of the "volte-faces" of the monetary unit—the franc, the florin, the franc again, next the German thaler, and finally the mark conjointly with the franc. *La circulation, le crédit, et leurs instruments, en Egypte*. P. ARMINJON et B. MICHEL. *Une expérience sociologique . . . l'industrie de la boucherie à Paris*. H. BOURGIN.

La Réforme Sociale (Paris).

JULY, 1908. The organ of the Le Play Society of Social Economy records a remarkable discussion on Population. M. de Foville said that France, "where everything is fertile but the inhabitants," is now but 12 per cent. of an European aggregate, of which she formed 25 per cent. before the Revolution. Deaths have begun to gain upon births. The recent Commission was abortive. Its discoveries, *e.g.*, the connection between "dechristianisation" and depopulation—were not welcome to the powers that be.

Revue Économique Internationale (Brussels).

JULY, 1908. *Les finances de la Russie*. R. G. LEVY. *Travail et salaires des femmes en Angleterre*. G. SHANN. The wages of women are described as very small (*minimes*), absolutely, and comparatively to the wages of men. *La monnaie peut-elle être supprimée?* M. ANSIAU. Referring to M. Solvay's doctrine of "comptabilism," the writer concludes that payments without money are not more difficult to realise than vehicles without horses or wireless telegraphy. *La France à Madagascar*. H. LOUN.

L'Économiste Français (Paris).

JUNE 20TH, 1908. *La dépopulation de la France*. PIERRE LEROY BEAULIEU. The official statistics of the movement of population are for 1907 "more desolating than ever." The birth-rate per 1,000 living has reached the "ridiculously small" rate [*taux dérisoire*], 19.7, for 1904-6, 20.7; against 25.3 in 1877-79. True, the birth-rate of the principal other European nations has fallen in the same period—in the case of England by a greater percentage (of the birth-rate in 1877-79)—but they had further to fall before the birth-rate should cease to exceed the death-rate, as is now the case in France. Among the causes M. Paul Leroy

Beaulieu puts "the taking from the people by the education which is given to them the hope of a future life and the ancient beliefs—the foundations of their traditional morality." Among the remedies is approved M. Paul Leroy Beaulieu's proposal to reserve employments under the State to fathers of three children.

JUNE 27TH. *La dépopulation de la France* (continued). The decline in the birth-rate is aggravated by the stationariness of the death-rate in France. The mortality in 1905-1906 compared with that of 1876-80 shows a fall in France of less than a seventh, of a quarter in England, Germany, and some other countries, of more than a quarter in Holland and Hungary.

Les retraites ouvrières. PAUL LEROY BEAULIEU. The State in France contributes by the existing "loi d'assistance" near 100 million francs more than the State in Germany (45½ million marks in 1904), not much less than the proposed contribution in England (account being taken of difference in cost of living). The proposed French law is indefensible.

AUGUST 1ST. M. Paul Leroy Beaulieu describes the failure of Brazil to check the over-production of coffee by Governmental interposition, and points the moral.

Jahrbuch für Nationalökonomie (Jena).

MAY, 1908. *Zur Terminologie der "Lohn tariffgemeinschaft."* A. KLEEBERG. *Zur gegenwärtigen Lage der Amerikanischen Eisenindustrie.* GLIER. JUNE. *Zur Reform der Binnenschiffahrt-statistik im Deutschen Reich.* H. SCHUMACHER. JULY. *Die wirtschaftliche Organisation der Geistigen Arbeiter.* VICTOR LEO. *Die heutigen kommunistischen Gemeinden in Nordamerika.* R. LIEFMANN.

Giornale degli Economisti (Rome).

MAY, 1908. *Il mercantilismo e l'economia politica.* E. COSSA. *Sugli effetti della conversione della rendita.* B. GRIZIOTTI. JUNE. *L'interpolazione per la ricerca delle leggi economiche.* V. PARETO. A study in the treatment of statistics relating to frequency by methods of interpolation, especially Cauchy's. *Un antico innovatore italiano dei metodi di cultura agraria.* G. ANAS. Referring to Camillo Tarello, author of a little book published in Venice, 1567, *Il metodo ordinario di calcolo del costo di produzione dell'uomo.* G. SENSINI. JULY. *Leggi agrarie restrittive nel settecento italiano.* G. ANAS. *Il problema dei trasporti e il porto di Genova.* N. TREMON. *I comuni e le abitudini popolari in Germania.* R. BADOGLIO.

NEW BOOKS.

ALTON (H.) and HOLLAND (H. H.). *The King's Customs. An Account of Maritime, Revenue, and Contraband Traffic in England, Scotland, and Ireland; from the Earliest Times to the year 1800.* Murray. Pp. 489. 10s. 6d. net.

BRABROOK (SIR EDWARD, C.B.). *Thrift Manual*. For the use of teachers in primary schools. London: King. 1908.

[A series of articles by several writers, reprinted from the Charity Organisation Society, with a preface by Sir Edward Brabrook.]

BROADHEAD (H.). *State Regulation of Labour and Labour Disputes in New Zealand. A Description and Criticism*. London: Whitcombe and Tombs. Pp. 230. 7s. 6d. net.

Charity Organisation Society: *Report of the Society's Special Committee on Unskilled Labour*. London: Denison House Pp. 249.

[Reviewed above.]

CLAYTON (JOSEPH). *Robert Owen, Pioneer of Social Reforms*. London: Fiffeld. 1908. Pp. 68. 1s.

CLEWS (H., LL.D.). *Fifty Years in Wall Street*. New York: Irving Publishing Co. Pp. 1,062

DAVIES (A. EMIL). *The Nationalisation of Railways*. London: Black. 1908. Pp. 125.

[Reviewed above.]

DEWE (REV. J. A.). *History of Economics or Economics as a Factor in the Making of History*. New York: Benziger Bros

EDER (DR). *The Endowment of Motherhood*. The New Age Press. 1s. net.

FEIN (M., Ph.D.). *The Early History of the Levant Company*. London: Routledge. Pp. 270

FAY (C. R.). *Co-operation at Home and Abroad. A Description and Analysis*. London: P. S. King. 1908. Pp. 403. 10s. 6d. net.

FORDHAM (MONTAGU). *Mother Earth. A Proposal for the Permanent Reconstruction of our Country Life, and a Description of the Land Club Scheme*. Open Road Publishing Co. Pp. 157. 1s. net.

FORSYTH (P. T.). *Socialism, the Church, and the Poor*. London: Hodder. 1908. Pp. 82. 1s

GIBSON (A. H.). *The Fall in Consols and Other Investments since 1907. An Investigation into the Causes which brought about the Rise in Investment Capital Values from 1875-97 and the Fall Since*. London: Simpkin. 1908. Pp. 100. 5s.

GREEN (F. E.). *The Small Holding*. London: Lane. Pp. 122. 3s. net.

GROSS (C., Ph.D.). *Select Cases Concerning the Law Merchant. A.D. 1270-1638. Vol. I. Local Courts*. Selden Society's Publications. Vol. XXIII. Pp. 159. Quaritch.

International Labour Office, *Bulletin of*. London: Labour Representation Printing and Publishing Co. 1908. Pp. 702.

[Referred to above.]

JOHNSON (MAJOR A. G.). *Leisure for Workmen and National Wealth*. London: P. S. King. Pp. 242. 3s. 6d. net.

JUDGE (MARK H.). *Political Socialism. A Collection of Papers by Members of the British Constitution Association. With Presidential Addresses by Lord Balfour of Burleigh and Lord Hugh Cecil. Edited by M. H. Judge. (Constitution issues.)* London: P. S. King. 1908. Pp. 187.

LATOCHE (PETER). *Anarchy! An Authentic Exposition of the Methods of Anarchists and the Aims of Anarchism.* London: Everett. 1908. Pp. 248. 6s.

LAW (A. BONAR, M.P.). *The Fiscal Question. Five Recent Speeches. Revised by the Author.* London: The National Review Office. Pp. 134. 1s. net.

[Reviewed above.]

London Municipal Society. *The Case against Socialism: A Handbook for Speakers and Candidates.* New York: Macmillan. London: G. Allen & Sons. 1908. Pp. 537.

[With a prefatory letter by Hon. A. J. Balfour.]

MAYNE (JOHN D.). *The Triumph of Socialism.* London: Sonnenschein. 1908. Pp. 118. 1s.

PRICE (L. L.). *The Position and Prospects of the Study of Economic History.* Oxford: Clarendon Press. 1s.

SCHOOLING (JOHN HOLT). *The British Trade Book. Concerning the years 1880-1907. With a Preface by Prof. W. J. Ashley. (Third issue.)* London: Murray. Pp. 491. 10s. 6d. net.

STANTON (ROSSINGTON). *An Essay on the Distribution of Livelihood.* New York and London: Farewell. 1908. Pp. 125.

[Reviewed above.]

SUTHERS (R. B.). *Common Objections to Socialism Answered* London: Clarion Press. Pp. 132. 1s. net.

VINOGRADOFF (P.). *English Society in the Eleventh Century.* Oxford: Clarendon Press. 1908. 16s.

[The first part of this masterly survey deals with military organisation, jurisdiction, and taxation; the second with land tenure, rural organisation, and social classes.]

WATSON (N. L.). *The Argentine as a Market. A Report to the Electors to the Gartside Scholarship on the Results of a Tour in the Argentine in 1906-7. (Manchester University: Gartside Reports on Industry and Commerce, No. 6.)* Manchester University Press. Pp. 63. 1s. net.

BLISS (W. D. P., editor). *The New Encyclopædia of Social Reform.* New York: Funk & Wagnalls. 1908. Pp. 1,321. \$7.50.

[Revised or rather rewritten.]

HANKINS (DR. F. H.). *Adolphe Quelet as Statistician. (Columbia University Studies.)* New York: Columbia University. 1908. Pp. 133.

CHADDOCK (R. E.). *Ohio before 1850. (Columbia University Studies.)* New York: Columbia University. Pp. 155.

HARRISON * (FREDERIC). *National and Social Problems*. New York: Macmillan. 1908. Pp. 450. \$1.75.

[Part III. deals with "social problems," chiefly the labour problem and socialism.]

KELLER (A. G.). *Colonisation: A Study of the Founding of New Societies*. Boston: Ginn & Co. 1908. Pp. 629.

[Designed as a text-book for the study of colonisation.]

LEE (G. S.). *Inspired Millionaires*. Northampton (Mass.): Mount Tom Press. 1908. Pp. 308.

LEWIS (A. M.). *Evolution. Social and Organic*. Chicago: Charles H. Kerr & Co. 1908. Pp. 186. 50 cents.

[Standard Socialist Series.]

MACLEAR (ANN BUSH). *Early New England Towns*. Pp. 181.

MITCHELL (WESLEY C.). *Gold Prices and Wages under the Greenback Standard*. (University of California Publications in Economics.) Berkeley: University Press. 1908. Pp. 627.

[These statistical materials of a future continuation of the author's "History of the Greenbacks," form a valuable contribution to the study of index-numbers. The extensive use of "medians" and "deciles" is an interesting feature.]

SCHAFFNER (MARGARET A.). *The Labour Contract from Individual to Collective Bargaining*. Madison, Wis.: Bulletin of the University of Wisconsin. 1907. Pp. 182. 50 cents.

[Gives results of extensive investigations of actual conditions.]

SPARGO (JOHN). *The Common Sense of Socialism*. Chicago: C. H. Kerr. 1908. Pp. 184.

[In the form of a series of letters.]

WARE (SEDLAY LYNCH). *The Elizabethan Parish in its Ecclesiastical and Financial Aspects*. (Johns Hopkins University Studies.) Baltimore: Johns Hopkins Press. Pp. 93.

WELD (L. D. H.). *Private Freight Cars and American Railways*. (Columbia University Studies.) New York: Columbia University. 1908. Pp. 185.

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THE RELATION OF RAILWAYS TO THE STATE.¹

No one can be more conscious than your President of to-day of the unfitness of one who has no claim to be called an economist at all to occupy the chair of this Section in succession to a long line of the most distinguished economists of the country. But it would be affectation on my part to ignore that I owe the distinction, however little personally I may deserve it, to the fact that what our American friends call transportation problems are much to the fore at present, and that to those problems the professed economists of this country have unfortunately—for reasons that there is no need to discuss here—hitherto devoted but scant attention. And *parmi les aveugles le borgne est roi*. You will therefore not be surprised if your one-eyed king for the day directs your attention this morning to railways, and especially to the question which is in the forefront of politics at this moment in almost every part of the world—the relation of railways to the State.

One word more by way of preface. I have said that these relations are being discussed at present all over the world. Ireland is no exception. There is at this moment sitting in Dublin a Viceregal Commission to inquire into the management of the Irish railways, and the question of State *versus* private ownership has been constantly brought up before it. As I am a member of that Commission, I evidently could not, even if I desired to do so, express here any personal views on a matter which is directly referred to me in an official capacity. But it seems to me that while it is necessary for me to refrain from discussing the particular question of the detailed remedies which

¹ Presidential Address to the Economic Science and Statistics Section of the British Association for the Advancement of Science; Dublin, September, 1908.

the special historical and economic position of Ireland may be thought to require, it is possible to discuss the whole question in an abstract manner. I propose, therefore, to treat the subject in the main in two aspects: the first, the history in outline of the relations between railways and the State in different countries; and the second, the question of the factors which are of primary importance in any consideration of the matter.

Ever since the year 1830, when the dramatic success of the Liverpool and Manchester Railway first revealed to a generation less accustomed than our own to revolutionary advances in material efficiency the startling improvements in transport that railways were about to effect, theorists have discussed the question whether State or private ownership of railways be in the abstract the more desirable. But it is safe to say that in no country has the practical question, "Shall the State own or not own the railways?" been decided on abstract considerations. The dominant considerations have always been the historical, political, and economic position of the particular country at the time when the question came up in concrete shape for decision.

The Belgian railways have belonged to the State from the outset, because they were constructed just after Belgium separated from Holland, and (the available private capital being in Holland and not in Belgium) King Leopold and his Ministers felt that, if the railways were in private hands, that would mean in Dutch hands, and the newly-acquired independence of Belgium would be thereby jeopardised. Within the last few years this history has repeated itself, and the fact that the bulk of the Swiss railway capital was held in France and Germany was one main reason, if not *the* main reason, which induced the Swiss people to nationalise their railways.

In Germany seventy years ago the smaller States were regarded as the personal property of their respective Sovereigns, almost as definitely as Sutherlandshire is the property of the Duke of Sutherland. And it was therefore as natural that the Dukes of Oldenburg or Mecklenburg should make railroads for the development of their estates as that the Duke of Sutherland should build a railway in Sutherland.

Take, again, Australasia. In that region the whole of the railways, with negligible exceptions, now belong to the different State Governments, and the public sentiment that railways ought to be public property is to-day so strong that it is impossible to imagine any serious development of private lines. But at the outset the traditional English preference for private enterprise

was just as strong there as it was at home, and it was only the fact that the whole of the available private capital was absorbed in the development of the goldfields, and that, therefore, if railways were to be built at all, public credit must be pledged and English capital must be obtained, that caused the State to go into the railway business.

Take, once more, the case of Italy. In the days when Italy was only a geographical expression, the various Italian States experimented with railway management of all sorts and kinds. When, after 1870, Italy was unified, it was necessary to adopt a national railway policy, and the Italian Government instituted an inquiry whose exhaustiveness has not since been approached. The force of circumstances had indeed already compelled the Government to acquire the ownership of the railways, but the Commission reported that it was not desirable that the Government should work them. The railways were accordingly leased for a period of sixty years, running from 1884, to three operating companies, and it was provided that the leases might be broken at the end of the twentieth or the fortieth year. From the very outset a condition of things developed which had not been contemplated when the leases were granted, and for which the leases made no provision. Constant disputes took place between the Government and their lessees. Capital for extensions and improvements was urgently needed; neither party was bound to find it; and agreement for finding it on terms mutually acceptable was impossible of attainment. In the end the Government has been forced to cut the knot, to break the lease at the end of the first twenty years' period, and for the last two years the Italian Government has operated its own railways. But it is safe to say that an *a priori* preference for State management over private management played but scant part in the ultimate decision.

It is impossible to review, even in the merest outline, the railway history of all the countries in the world, but the instances already given will serve to illustrate my proposition that the position in each country depends not on abstract considerations, but on the practical facts of the local situation. Yet one cannot look round the world and fail to recognise that the connection between the railways and the State is everywhere becoming more intimate year by year. Whatever have been the causes, the fact remains that Italy and Switzerland have converted their railways from private to public. In Germany the few remaining private lines are becoming still fewer. In Belgium the process is prac-

tically completed. In Austria it is moving steadily in the same direction; four-fifths of the total mileage is now operated by the State. In Russia the story would have been the same, had it not been for the war with Japan. Even in France, whose railways have a very definite local and national history of their own, an Act for the purchase of the Western Railway by the State was passed last year by the Chamber of Deputies, and has now, after much contention, been passed by the Senate within the last few weeks. But it is not without interest to note that, though a majority both of deputies and of senators supported the Bill, the representatives of the district served by the company were by a large majority opposed to it, while the commercial community of the whole of France, as represented by the Chambers of Commerce, were almost unanimously hostile.¹ So far as can be seen at present, the purchase of the Western Railway by the State is not likely to be made a precedent for the general nationalisation of the French railways. Still, the broad fact remains that a series of railway maps of the continent of Europe, constructed at intervals of ten years, would undoubtedly show an ever-increasing proportion of State lines, and that the last of the series would exhibit the private lines as very far below the State lines both in extent and in volume of traffic.

A word ought to be said of Holland, not only because Holland is a country with free institutions like our own, but because the railway position of Holland is unique. The railways of that country were built partly by the State and partly by private enterprise, but the working has always been wholly in private hands. Some ten years ago, however, the Dutch Government bought up the private lines and rearranged the whole system. The main lines of the country are now leased to two operating companies, so organised that each company has access to every important town, and railway competition is now practically ubiquitous throughout Holland. So far there are no signs that the Dutch people are otherwise than satisfied with their system. Now compare this with France. The French Government, though it has hitherto, except on the comparatively unimportant State railways in the south-west of the country, stood aloof from the actual operation, has always kept entire control of railway construction and of the allocation of new lines between the

¹ Further, it is common knowledge that the Senate only passed the Bill (and that by a majority of no more than three) because M. Clemenceau insisted that he would resign if it was not passed, and, though they disliked nationalisation much, they disliked M. Clemenceau's resignation more.

several companies. And the French Government has proceeded on a principle diametrically opposed to the Dutch principle. In France railway competition has, as far as possible, been definitely excluded, and the various systems have been made to meet, not, as in Holland, at the great towns, but at the points where the competitive traffic was, as near as might be, a negligible quantity. Now that questions of competition and combination are to the fore in England, and seem likely to give very practical occupation to Parliament in the Session of 1909, the precedents on both sides are perhaps not without interest.

When we turn from the continent of Europe to the continent of America the position of affairs is startlingly dissimilar. The railways of America far surpass in length those of the continent of Europe, while in capital expenditure they are equal. State-ownership and operation of railways on the continent of America is as much the exception as it is the rule in Europe. In Canada there is one comparatively important State railway, the Inter-Colonial, about 1,500 miles in length. Though its earnings are quite considerable—about £20 per mile per week—it barely pays working expenses. I may add that in all the voluminous literature of the subject I have never seen this line cited as an example of the benefits of State management. There is another small line, in Prince Edward Island, which is worked at a loss; and a third, the Temiskaming and Northern Ontario Railway, owned not by the Dominion but by the Provincial Government, which is too new to afford any ground for conclusions.

The Federal Government of the United States has never owned a railway, though some of the individual States did own, and in some cases also work, railways in very early days. They all burnt their fingers badly. But the story is so old a one that it would be unreasonable to found any argument on it to-day.

In Mexico, of which I shall have more to say directly, the State owns no railways. As for Central America, Costa Rica and Honduras have some petty lines, which are worked at a loss. Guatemala had a railway till 1904, when it was transferred to a private company. Nicaragua has also leased its lines. Colombia owns and works at a profit, all of which is said to be devoted to betterment, twenty-four miles of line.

In South America, Peru and Argentina own, as far as I am aware, no railways. The Chilian Government owns about 1,600 miles out of the 3,000 miles in the country. Needless to say, private capital has secured the most profitable lines. The Government railway receipts hardly cover the working expenses. The

Brazilian Government formerly owned a considerable proportion of its railway network of nearly 11,000 miles. Financial straits forced it some years ago to dispose of a large part to private companies, to the apparent advantage at once of the taxpayer, the shareholder, and the railway customer. About 1,800 miles of line are still operated by the Government, the receipts of which, roughly speaking, do a little more than balance working expenses. But it may be broadly said that the present Brazilian policy is adverse to State ownership and in favour of the development of the railway system by private enterprise.

The question of public ownership and operation was, however, raised very definitely in the United States only two years ago, when Mr. Bryan made a speech stating that his European experience had convinced him that it was desirable to nationalise the railways of the United States. For many weeks after, Mr. Bryan's pronouncement was discussed in every newspaper and on every platform, from Maine to California. Practically, Mr. Bryan found no followers; and to-day, though he is the accepted candidate of the Democratic party for the Presidency, the subject has been tacitly shelved. To some extent this may have been due to the ludicrous impossibility, if I may say so with all respect for a possible President, of Mr. Bryan's proposals. In order, presumably, not to offend his own Democratic party, the traditional upholders of the rights of the several States, he seriously suggested that the Federal Government should work the trunk lines, and the respective State Governments the branches. Even if anybody knew in every case what is a trunk line and what is a branch, the result would be to create an organism about as useful for practical purposes as would be a human body in which the spinal cord was severed from the brain. Mr. Bryan's proposal was never discussed in detail; public sentiment throughout the Union was unexpectedly unanimous against it, and it is safe to say that the nationalisation of the railways of the United States is not in sight at present.

But though nationalisation is nowhere in America a practical issue, everywhere in America the relations between the railways and the State have become much closer within the last few years. Canada in 1903 consolidated its railway laws and established a Railway Commission, to which was given very wide powers of control both over railway construction and operation and over rates and fares for goods and passengers. Argentina has also moved in the same direction. In the United States, not only has there been the passage by the Federal Congress at Washington

of the law amending the original Act to Regulate Commerce and giving much increased powers to the Inter-State Commerce Commission besides various other Acts dealing with subsidiary points, such as hours of railway employ  s, but scores, if not hundreds, of Acts have been passed by the various State Legislatures. With these it is quite impossible to deal in detail ; many of them impose new pecuniary burdens upon the railway companies, as, for instance, the obligation to carry passengers at the maximum rate of a penny per mile. All of them, speaking broadly, impose new obligations and new restrictions upon the railway companies. Not a few have already been declared unconstitutional, and therefore invalid, by the Law Courts. And when the mills of American legal procedure shall at length have finished their exceedingly slow grinding, it is safe to prophesy that a good many more will have ceased to operate. But for all that, the net result of State and Federal legislation in the Sessions of 1906 and 1907 will unquestionably be that even after the reaction and repeal, which, thanks to the Wall Street panic of last year, is now in progress, the railways of the United States will in the future be subject to much more rigid and detailed control by public authority than there has been in the past. The reign of railway despotism, more or less benevolent, is definitely at an end ; the reign of law has begun. It is only to be regretted that the quantity of the law errs as much on the side of excess as its quality on the side of deficiency.

Apart from its interest as a quite startling example of how not to do it, the recent railway legislation of the United States is only valuable as an indication of the tendency, universal in all countries, however governed, for the State to take a closer control over its railways. Much more interesting as containing a definite political ideal, worked out in detail in a statesmanlike manner, is the recent railway legislation of Mexico. One may be thought to be verging on paradox in suggesting that England, with seven centuries of parliamentary history, can learn something from the Republic of Mexico. But for all that I would say, with all seriousness, that I believe the relation between the State and the national railways is one of the most difficult and important questions of modern politics, and that the one valuable and original contribution to the solution of that question which has been made in the present generation is due to the President of the Mexican Republic and his Finance Minister, Se  or Limantour.

Broadly, the Mexican situation is this : The Mexican railways

were in the hands of foreign capitalists, English mainly so far as the older lines were concerned, American in respect of the newer railways, more especially those which constituted continuations southwards of the great American railway systems. The foreign companies, whether English or American, naturally regarded Mexico as a field for earning dividends for their shareholders. The American companies further, equally naturally, tended to regard Mexico as an annexe and *dépendance* of the United States. If they thought at all of the interest of Mexico in developing as an independent, self-contained State, they were bound to regard it with hostility rather than with favour, and such a point of view could hardly commend itself to the statesmen at the head of the Mexican Government. Yet Mexico is a poor and undeveloped country, quite unable to dispense with foreign capital; and, further, it was at least questionable whether Mexican political virtue was sufficiently firm-rooted to withstand the manifold temptations inherent in the direct management of railways under a parliamentary *régime*. Under these circumstances the Mexicans have adopted the following scheme: For a comparatively small expenditure in actual cash, coupled with a not very serious obligation to guarantee the interest on necessary bond issues, the Mexican Government have acquired such a holding of deferred ordinary stock in the National Railroad Company of Mexico as gives them, not, indeed, any immediate dividend on their investment, but a present control in all essentials of the policy of the company, and also prospects of considerable profit when the country shall have further developed. The organisation of the company as a private commercial undertaking subsists as before. A board of directors, elected in the ordinary manner by the votes of shareholders, remains as a barrier against political or local pressure in the direction of uncommercial concessions, whether of new lines or of extended facilities or reduced rates on the old lines; but—and here is the fundamental difference between the new system and the old—whereas under the old system the final appeal was to a body of shareholders with no interest beyond their own dividend, the majority shareholder is now the Government of Mexico, with every inducement to regard the interests, both present and prospective, of the country as a whole. The statement: "Railways are a public service; it is right that they should be operated by public servants in the public interest," may be in theory irrefragable. Unfortunately, especially in democratically organised communities, the facts have

not infrequently refused to fit the theories, and the public servants have allowed, or been constrained to allow, the railways to be run, not in the permanent interest of the community as a whole, but in the temporary interest of that portion of the community which at the moment could exert the most strenuous pressure. The Mexican system, if it succeeds in establishing itself permanently—for as yet it is only on its trial—may perhaps have avoided both Scylla and Charybdis. Faced with a powerful but local and temporary demand, the Government may be able to reply that this is a matter to be dealt with on commercial lines by the board of directors. If, on the other hand, permanent national interests are involved, the Government can exercise its reserve power as a shareholder, can vote the directors out of office, and so prevent the continuance of a policy which would in its judgment be prejudicial to those interests, however much it might be to the advantage of the railway as a mere commercial concern.

The history whose outline I have now very briefly sketched shows, I think, that whereas there is everywhere a tendency towards further State control, the tendency towards absolute State-ownership and State-operation is far from being equally universal. I shall have a word to say presently as to the reasons why America shows no signs of intention to follow the example of continental Europe. Meanwhile it is well to notice that American experience proves also the extreme difficulty of finding satisfactory methods of control. Sir Henry Tyler said some five-and-thirty years ago in England, in words that have often been quoted since, "If the State can't control the railways, the railways will control the State"; and President Roosevelt has again and again in the last few years insisted on the same point. "The American people," he has said in effect, "must work out a satisfactory method of controlling these great organisations. If left uncontrolled, there will be such abuses and such consequent popular indignation that State-ownership will become inevitable, and State-ownership is alien to American ideas, and might cause very serious political dangers."

Perhaps some of my hearers may remember Macaulay's graphic description of the passion that was aroused by Charles James Fox's proposed India Bill; it was described as a Bill for giving in perpetuity to the Whigs, whether in or out of office, the whole patronage of the Indian Government. The objection felt by American statesmen to handing over their railways to the National Government—for I think it may be taken for granted that if they were nationalised it would have to be wholly

under federal management, and that the separate States could take no part in the matter—is in principle the same. There are something like a million and a half men employed on the railways of the United States, say, roughly, 7 or 8 per cent. of the voters. Americans feel that rival political parties might bid against each other for the support of so vast and homogeneous a body of voters ; that the amount of patronage placed at the disposal of the Executive Government for the time being would be enormous ; and that the general interests of the nation might be sacrificed by politicians anxious to placate—to use their own term—particular local and sectional interests. How far this fear, which is undoubtedly very prevalent in the States, is justified by the history of State railways in other countries is a question exceedingly difficult to answer. Dealing with State railways in the lump, it is easy to point to some against which the charge would be conspicuously untrue. To take the most important State railway organisation in the world, the Prussian system, no one, I think, can fairly deny that it has been operated—in intention at least, if not always in result—for the greatest good for the greatest number. But then Prussia is Prussia, with a Government in effect autocratic, with a Civil Service with strong *esprit de corps* and permeated with old traditions, leading them to regard themselves as the servants of the king rather than as candidates for popular favour. An American statesman, Charles Francis Adams, wrote as follows more than thirty years ago : “ In applying results drawn from the experience of one country to problems which present themselves in another, the difference of social and political habit and education should ever be borne in mind. Because in the countries of continental Europe the State can and does hold close relations, amounting even to ownership, with the railroads, it does not follow that the same course could be successfully pursued in England or in America. The former nations are by political habit administrative, the latter are parliamentary. In other words, France and Germany are essentially executive in their governmental systems, while England and America are legislative. Now the executive may design, construct, or operate a railroad ; the legislative never can. A country therefore with a weak or unstable executive, or a crude and imperfect Civil Service, should accept with caution results achieved under a government of bureaus. Nevertheless, though conclusions cannot be adopted in the gross, there may be in them much good food for reflection.”

I am inclined to think that the effect of the evidence is that the further a Government departs from autocracy and develops in the direction of democracy, the less successful it is likely to be in the direct management of railways. Belgium is far from being a pure democracy; but compared with Prussia it is deomcratic, and compared with Prussia its railway management is certainly inferior. Popular opinion in Belgium seems at present to be exceedingly hostile to the railway administration; official documents assert that, while the service to the public is bad, the staff are scandalously underpaid, and yet that the railways are actually not paying their way. There was, it is true, till recently an accumulated surplus of profits carried in the railway accounts, but the official figures have been recently revised, and the surplus is shown to be non-existent.

The Swiss experiment is too new to justify any very positive conclusions being drawn from it; but this much is clear: the State has had to pay for the acquisition of the private lines sums very much larger than were put forward in the original estimate; the surplus profits that were counted on have not been obtained in practice; the economies that were expected to result from unification have not been realised; the expenditure on salaries and wages has increased very largely; and so far from there being a profit to the Federal Government, the official statement of the railway administration is that, unless the utmost care is exercised in the future, the railway receipts will not cover the railway expenditure.

The Italian experiment is still newer. It would not be fair to say that it proves anything against State management; but I do not think that the most fervid *Etatist* would claim that, either on the ground of efficiency or on the ground of economy, it has so far furnished any argument in favour of that policy.

If we wish to study the State management of railways by pure democracies of Anglo-Saxon type, we must go to our own Colonies. My own impressions, formed after considerable study of the subject and having had the advantage of talking with not a few of the men who have made the history, I hesitate to give. It is easy to find partisan statements on both sides; for example, in a recent article in the *Nineteenth Century*, entitled "The Pure Politics Campaign in Canada," I find the following quotation from the *Montreal Gazette*—a paper of high standing—dated May 27th, 1907: "Every job alleged against the Russian autocracy has been paralleled in kind in Canada. First, there is the awful example of the Inter-Colonial Railway, probably as to

construction the most costly single-track system, in North America, serving a good traffic-bearing country, with little or no competition during much of the year, and in connection with much of its length no competition at all, but so mishandled that one of its managers, giving up his job in disgust, said it was run like a comic opera. Some years it does not earn enough to pay the cost of operation and maintenance (I may interpolate that its gross earnings per mile are equal to those of an average United States railway), and every year it needs a grant of one, two, three, or four million dollars out of the Treasury to keep it in condition to do at a loss the business that comes to it. When land is to be bought for the road, somebody who knows what is intended obtains possession of it, and turns it over to the Government at 40, 50, and 100 per cent. advance. This is established by the records of Parliament and of the Courts of the land."

Probably no one outside the somewhat heated air of Canadian politics is likely to believe this damning accusation quite implicitly; but even if there were not a word of truth in it—and that the management of the Inter-Colonial Railway is, for whatever cause, bad, appears, I think, clearly from the public figures—it is bad enough that such charges should be publicly made and apparently believed. Let me quote now from a document of a very different type referring to a colony very far distant from Canada: "A Memorandum relative to Railway Organisation, prepared at the request of the Railway Commissioners of the Cape Government Railways, by Sir Thomas R. Price, formerly general manager of those railways, and now general manager of the Central South African (*i.e.*, Transvaal and Orange River) Railways, dated Johannesburg, February 22, 1907.

"Political Influences—Disturbing Effect of.

"The drawbacks in the management of the railways in the Cape that call for removal arise from the extent to which, and the manner in which, the authority of Parliament is exercised. They are twofold in their character, *viz.* :—

"(1) The practice of public authorities, influential persons, and others bent on securing concessions or other advantages which the general manager has either refused in the conscientious exercise of his functions, or is not likely to grant, making representation to the Commissioner (as the ministerial head of the Government), supplemented by such pressure, political influence, or other means as are considered perfectly legitimate in their way,

and are best calculated to attain the end applicants have in view.

“(Many members of Parliament act similarly in the interests of the districts, constituents, or railway employés in whom they happen to be interested. It is by no means unknown for the requests in both classes of cases to coincide somewhat with a critical division in Parliament—present or in prospect—or otherwise something has occurred which is regarded as irritating to the public or embarrassing to the Government, and the desire to minimise the effect by some conciliatory act is not unnatural.)

“(2) The extent to which the fictitious, and often transitory, importance which a community or district manages to acquire obscures (under the guise of the Colony’s welfare) the consideration of the railway and general interests of the Colony as a whole.”

“(During the earlier period of my railway service in the Cape Colony few things impressed me more, coming as I had from a railway conducted on strictly business lines, than the extent to which the conduct of railway affairs was influenced by certain conditions. Nor was this impression lessened afterwards when, in the course of a conversation on the matter, Sir Charles Elliott mentioned to me that he had more than once told a late Railway Commissioner, ‘The Government is powerful, but [mentioning the town and authority] is more powerful still.’)”

“I do not regard it as open to doubt that the Colony as a whole has suffered severely in consequence, the inland portions of the Colony particularly so; and that the need for a remedy is pressing if the railways are to be conducted as a business concern for the benefit of the Colony.

“Means of Securing Freedom from Political Influences.

“The necessity for the railways and their administration being removed from such an atmosphere, and treated as a most valuable means of benefiting the Colony as a whole, whilst not neglecting the interests of a district (but not subordinating the welfare of the whole Colony thereto), is pressing. That there should be an authority to refer to in case of real necessity, where the decision or action of the general manager is not regarded as being in the public interest, is also clear. But it is equally manifest that the Commissioner or the Government of the day, with political or party consideration always in view, is not the proper court of reference.

“Political Influences as affecting Construction of New Lines.

“There can be little doubt that in the Cape Colony political considerations have influenced the adoption of new lines and their construction—many, if not most of them, of an unprofitable character—without sufficient inquiry or information, often with scanty particulars, and possibly contrary to the advice of the officer afterwards entrusted with the construction and working of the line.

“Proposals for New Lines.—Procedure recommended.

“A material change is imperatively necessary in this respect, if only to ensure the solvency of the Colony.”

It is sometimes conceded that improper exercise of political influence may be a real danger where railways are managed under a parliamentary *régime* by a Minister directly responsible to Parliament; but that difficulty, it is said, can be got over by the appointment of an independent Commission entirely outside the political arena. History does not altogether justify the contention. The last Report of the Victorian State Railways gives a list of seven branches, with an aggregate length of 46 miles, constructed under the Commissioner *régime* at a cost of £387,000, which are now closed for traffic and abandoned because the gross receipts failed even to cover the out-of-pocket working expenses. It is not alleged, nor is it a fact, that those lines were constructed in consequence of any error of judgment on the part of the Commissioners. But in truth it is inherently impossible to use a Commission to protect a community against itself. In theory a Commission might be a despot perfectly benevolent and perfectly intelligent; in that case, however, it can hardly be said that the nation manages its own railways. But of course any such idea is practically impossible, because despots, however benevolent and intelligent, cannot be made to fit into the framework of an Anglo-Saxon constitution. In practical life the Railway Commission must be responsible to someone, and that someone can only be a member of the political Government of the day.

I have indicated what in America, where the subject is much more carefully considered than here, is regarded as a great obstacle to a State-railway system; but I have pointed out also that it is quite possible that statesmen fully alive to the dangers may yet find themselves constrained to risk them unless

some satisfactory method of controlling private railway enterprise can be found. I do not think it can be considered that this has been done in England at the present time. In the main we have relied on the force of competition to secure for us reasonable service at not unreasonable rates; and as I still cherish a long-formed belief that English railways are on the whole among the best, if not actually the best, in the world, I am far from saying that competition has not done its work well. But competition is an instrument that is at this moment breaking in our hands. Within quite a few years the South Eastern Railway was united with the Chatham; the Great Southern has obtained a monopoly over a large part of Ireland; in Scotland the Caledonian and the North British, the Highland and the Great North have in very great measure ceased to compete. If the present proposals for the working union of the Great Eastern, the Great Northern and the Great Central go through, competition in the East of England will be absolutely non-existent from the Channel to the Tweed. And one can hardly suppose that matters will stop there. In fact, since this address was in type a comprehensive scheme of arrangement for a long term of years between the London and North Western and the Midland has been announced. We must, I think, assume that competition, which has done good work for the public in its day, is practically ceasing to have any real operation in regulating English railways.

For regulation, therefore, we must fall back on Government; but how shall a Government exercise its functions? Regulation may be legislative, judicial, executive, or, as usually happens in practice, a combination of all three. But we may notice that, as Mr. Adams points out, in Anglo-Saxon countries it is the Legislature and the Judicature that are predominant; whereas in a country like France, which though a democracy is bureaucratically organised, it is executive regulation that is most important. Now, the capacity of the Legislature to regulate is strictly limited; it can lay down general rules; it can, so to speak, provide a framework, but it cannot decide *ad hoc* how to fit into that framework the innumerable questions that come up for practical decision day by day.

The capacity of the Law Courts to regulate is even more strictly limited. For not only is it confined within the precise limits of the jurisdiction expressly conferred upon it by the Legislature, but further, by the necessity of the case, a court of law can only decide the particular case brought before it; a hundred other cases, equally important in principle, and

perhaps more important in practice, may never be brought before it at all. Even if the Court had decided all the principles, it has no machinery to secure their application to any other case than the one particular case on which judgment was given. There was a case decided thirty years ago by our Railway Commission, the principle of which, had it been generally applied throughout the country, would have revolutionised the whole carrying business of Great Britain. It has not been so applied, to the great advantage in my judgment of English trade. Further, the great bulk of the cases which make up the practical work of a railway : "What is a reasonable rate, having regard to all the circumstances, present and prospective, of the case? Would it be reasonable to run a new train or to take off an old one? Would it be reasonable to open a new station, to extend the area of free cartage, and the like?"—all these are questions of discretion, of commercial instinct. They can only be answered with a "Probably on the whole," not with a categorical "Yes" or "No," and they are absolutely unsuitable for determination by the positive methods of the Law Court with its precisely defined issues, its sworn evidence, and its rigorous exclusion of what, while the lawyer describes it as irrelevant, is often exactly the class of consideration which would determine one way or other the decision of the practical man of business.

It seems to me, therefore, that both in England and in America we must expect to see in the near future a considerable development of executive government control over railways.

This is not the place to discuss in detail the form that control should take, but one or two general observations seem worth making. The leading example of executive control is France ; in that country the system is worked out with all the French neatness and all the French logic. But it is impossible to imagine the French principle being transplanted here. For one thing, the whole French railway finance rests upon the guarantee of the Government. The French Government pays, or at least is liable to pay, the piper, and has therefore the right to call the tune. The English Government has not paid, and does not propose to pay, and its claim to call the tune is therefore much less. Morally the French Government has a right—so far at least as the railway shareholders are concerned—to call on a French company to carry workmen at a loss ; morally, in my judgment at least, the English Government has no such right. But there is a further objection to the French system : the officers of the French companies have on their own responsibility to

form their own decisions, and then the officers of the French Government have also on their own responsibility, to decide whether the decision of the company's officer shall be allowed to take effect or not. The company's officer has the most knowledge and the most interest in deciding rightly, but the Government official has the supreme power. The system has worked—largely, I think, because the principal officers of the companies have been trained as Government servants in one or other of the great Engineering Corps, *des Mines* or *des Ponts et Chaussées*. But it is vicious in principle, and in any case would not bear transplanting.

What we need is a system under which the responsibility rests, as at present, with a single man (let us call him the general manager), and he does what he on the whole decides to be best, subject however to this: that if he does what no reasonable man could do, or refuses to do what any reasonable man would do, there shall be a power behind to restrain, or, as the case may be, to compel him. And that power may, I think, safely be simply the Minister—let us call him the President of the Board of Trade. For, be it observed, the question for him is not the exceedingly difficult and complicated question, "What is best to be done?" but the quite simple question, "Is the decision come to which I am asked to reverse so obviously wrong that no reasonable man could honestly make it?"

And even this comparatively simple question the President would not be expected to decide unaided. He will need competent advisory bodies. Railway history shows two such bodies that have been eminently successful—the Prussian State Railway Councils and the Massachusetts Railroad Commission. Wholly unlike in most respects, they are yet alike in this: their proceedings are public, their conclusions are published, and those conclusions have no mandatory force whatever. And it is to these causes that, in my judgment, their success, which is undeniable, is mainly due. Let me describe both bodies a little more at length.

There are in Prussia a number (about ten, I think) of District Railway Councils, and there is also one National Council; they consist of a certain number of representative traders, manufacturers, agriculturists, and the like, together with a certain number of Government nominees; and the railway officials concerned take part in their proceedings, but without votes. The Councils meet three or four times a year, their agenda paper is prepared and circulated in advance, and all proposed changes of

general interest, whether in rates or in service, are brought before them, from the railway side or the public side, as the case may be. The decision of the Council is then available for information of the Minister and his subordinates, but, as has been said, it binds nobody.

The Massachusetts Railroad Commission is a body of three persons, usually one lawyer, one engineer, and one man of business, appointed for a term of years by the Governor of the State. Originally the powers of this Commission were confined to the expression of opinion. If a trade, or a locality, or indeed a single individual, thought he was being treated badly by the Massachusetts Railroad, he could complain to the Commission; his complaint was heard in public; the answer of the railway company was made there and then; and thereupon the Commissioners expressed their reasoned opinion. The system has existed now for more than thirty years, and it is safe to say that, with negligible exceptions, if the Commission expresses the opinion that the railroad is in the right, the applicant accepts it; if the Commission says that the applicant has a real grievance, the railroad promptly redresses it on the lines which the Commissioners' opinion has indicated. The success of the Commission in gaining the confidence of both sides has been so great that of late years its powers have been extended, and it has been given, for example, authority to control the issue of new capital and the construction of new lines. But on the question with which we are specially concerned here, the conduct of existing railway companies as public servants, it can still do nothing but express an opinion; and it may be added that the Commission itself has more than once objected to any extension of that power.

Mr. Adams, from whom I have already quoted, was the first Chairman of the Commission. He has described their position as resting "on the great social feature which distinguishes modern civilisation from any other of which we have a record, the eventual supremacy of an enlightened public opinion." That public opinion is supreme in this country, few would be found to deny; that public opinion in railway matters is enlightened, few would care to assert. But given the enlightened public opinion, one can hardly doubt that it will secure not merely eventual but immediate supremacy. In truth, as Bagehot once pointed out, a great company is of necessity timorous in confronting public opinion. It is so large that it must have many enemies, and its business is so extended that it offers innumerable

marks to shoot at. It is much more likely to make, for the sake of peace, concessions that ought not to be made than it is to resist a demand that reasonable men with no personal interest in the matter publicly declare to be such as ought rightly to be conceded.

To sum up in a sentence the lesson which I think the history we have been considering conveys, it is this: Closer connection than has hitherto existed between the State and its railways has got to come, both in this country and in the United States. Hitherto in Anglo-Saxon democracies neither State ownership nor State control has been over-successful. The best success has been obtained by relying for control, not on the constable, but on the eventual supremacy of an enlightened public opinion. Nearly twenty years ago, in the pages of the *ECONOMIC JOURNAL*, I appealed to English economists to give us a serious study of what the Americans call the transportation problem in its broad economic and political aspects. Since then half-a-dozen partisan works have appeared on the subject, not one of them, in my judgment, of any real scientific value; but not a single serious work by a trained economist. And yet such a work is to-day needed more than ever. Let me once more appeal to some of our younger men to come forward, stop the gap, and enlighten public opinion.

W. M. ACWORTH

* * Since this address was delivered the Canadian Railway Commission has been enlarged and its personnel strengthened, as it has proved unable to deal with the increasing volume of business coming to it.

ON THE NATIONALISATION OF RAILWAYS.

I.

IF we pass in review the history of the railway policies of various countries, we are led to the conclusion that these reveal, not arbitrary differences, but a variety of development in close interaction with the general political and economic conditions of the country. And a careful comparison of the world's railway systems shows this to be no less true of the large and smaller German States than of Russia or the United States, with their very much greater dimensions. The advantages and the drawbacks of every possible system may have been never so impartially discussed, yet in the end the traditions and the difficulties, the existing political and economic conditions of each country have had the last word.

In Germany, Switzerland, France and other Continental States, roads, canals and postal services had for centuries owed both their existence and their working to the central government. When the time came for the first railways to be built this ancient tradition stood the supporters of a State railway policy in good stead. And, even so, they did not have it all their own way, for in several of the smaller German States attempts were made to float joint stock railway undertakings, and it was only when the lack of available capital and the absence of business enterprise doomed these projects to failure, that a State railway system was finally decided on. In the kingdom of Prussia the plan, mooted in the reign of Frederick William IV. (1840), of constructing a network of railways, met from the first with a favourable reception. Unfortunately the enterprise that might have floated a joint stock company was wanting, and the Government was not in a position to step into the breach. For in 1820 the Crown had entered into a definite obligation not to borrow money without the consent of the nation. But to obtain this consent it would have been necessary to call a representative assembly into being, and this the Crown was not at all disposed to do.

Hence the Government could raise no loan and build no railways. The only alternative therefore was to compromise by forming a joint stock company, with the State as guarantor of the dividends. In this manner the majority of the Prussian railways came into existence, and it was not until 1848, the year which saw the birth of a Constitution and the opening of a Parliament, that a State line could be constructed. This was the Eastern Railway which linked up the capital with the eastern frontier.

In spite of the satisfactory results achieved by the State control of the Prussian railways, the doctrine of *laissez faire* and the references to the example afforded by England began about the year 1860 to gain the upper hand. To this cause can be traced the railway mania of 1872 and the crisis of 1873. The Parliamentary Commission of the latter year emphatically decided that a State railway system was the best cure for the disasters that had recently befallen the private lines. After a few years' hesitation the Government followed this advice, and as early as 1875 a scheme was devised for an Imperial railway system which combined two main ideas—nationalisation and the establishment of a uniform system for the whole Empire. When the second proposal was foiled by the opposition of the smaller States, which clung tenaciously to their individual independence, the Prussian Government decided to take over all the lines within its own dominion which still remained in private hands. The smaller States followed suit, and there matters rested for the next thirty years.

Switzerland affords another example of the way in which the special conditions existing in a country have influenced the development of its railway policy. The building of railways was here retarded by natural obstacles, and it was not until 1850 that the Federal Council called in two English experts, Robert Stephenson and Swinburne, to its aid. Two years later, in direct opposition to the report of a Select Committee which had recommended a Federal railway system, a law was passed which paved the way for a system of private railway undertakings. The newly-formed Federal Constitution of Switzerland was not strong enough yet to entrust the union with such extensive powers, while the small cantons—the supporters *par excellence* of individual independence—were too small for a system of State lines. The only alternative therefore was a system of railway companies, whose power, after forty years' development in the well-known manner typical of such organisations, was bound to come into conflict with the political powers of the Democratic State.

The example of the Prussian and other German State railways showed the easiest way out of the difficulty. After several futile attempts to obtain effective control over the companies by the imposition of definite regulations, the country proceeded gradually to nationalisation. The difference between the course adopted by Switzerland and its prototype was mainly a matter of procedure; the financial methods of the former under the influence of a Democratic Government were more complicated, and the progress of the undertaking was slower than in Germany. The first attempt made by the Federation to purchase the Central Railway failed altogether, and the weapon successfully used to defeat the measure was the Referendum (1891). The Government then resorted to methods better calculated to produce the desired effect on the majority of the nation, and obtained its end by invoking the popular hatred of capitalism and of the foreigner.

II.

It was in the days when the railway mania in Prussia was at its highest that the Report of the Joint Select Committee of both Houses of Parliament on "Railway Amalgamation" was published in England (1872). This big volume attracted my attention, and led me to an historical treatment of the subject which occupied my entire time for the next few years. I spent several months in the reading-room of the British Museum, where the "Accounts and Papers," comprising the complete set of Blue-books dealing with the history of English railway policy, were kept. I made a complete study of *Hansard's Debates*, the big quarterlies, pamphlets, &c., and supplemented these literary researches by many discussions with specialists on the subject. Armed with the fruits of these labours and a pile of Blue-books, I returned to Germany.

What I gathered from these materials differed substantially from the reports on the railway policy of England spread during the past ten years by our German Free-Trade propagandists. These reports were not founded on fact, but were merely the application of the general principle that all blessings spring from free competition to this particular domain. As a matter of fact, the connection which necessarily exists between the traditions and general political conditions of a country and its railway policy is nowhere more clearly visible than in England. It was not an abstract principle but the ancient institutions of the country which dictated the existing policy. England laid the

foundations of her unity as long ago as the Norman Conquest, but until the present day she has been at pains to keep the centralisation of her Government within the narrowest possible limits. This was only achieved by leaving to the municipality or to private enterprise many offices which the executive administration of the great Continental States had taken upon itself. This tendency is visible even in the development of roads and road-making. In this respect Adam Smith was in advance of the general opinion of his country when he wrote, in the conclusion of his chapter on the "Expenses of the Sovereign or Commonwealth":—"The expense of maintaining good roads and communications is no doubt beneficial to the whole society, and may therefore without any injustice be defrayed by the general contribution of the whole society" (Book V., ch. v.). Such general contribution can only be levied upon the whole society where the duty of building the roads devolves on the State.

In France the Government of the seventeenth and eighteenth centuries built roads and canals, whereas in England, even in the nineteenth century, complaints were rife about the deplorable condition of the high roads, and the best service rendered to the means of communication had been the construction of canals begun during the last quarter of the eighteenth century. Since the opening of the Bridgewater Canal these private undertakings attempted to do for England what the Government was doing for France. And when the first railway was designed to connect Liverpool and Manchester, and thus to run over the same classic ground which the first canal had covered, this and all subsequent railway undertakings in Great Britain entered on the path which the canals of England had followed for half a century. A tradition thus arose which was throughout intimately connected with the development of joint stock undertakings, but the type of institution which it produced was very different from what the supporters of the vulgar doctrine of free competition believed it to be. A single glance at the text of the Act of Parliament which sanctioned the construction of the Liverpool and Manchester line on May 7th, 1826—consisting of 112 pages, gross folio—suffices to correct such an erroneous conception. Here we find the rights of the company quite formally conferred on it; the authorisation to build a line with requisite bridges, tunnels, &c.; powers to acquire the necessary freehold, careful directions regarding the construction of tunnels under the city of Liverpool. Level crossings on the public highway are altogether forbidden, and steam engines are ordered to consume their own smoke. Further,

detailed regulations are set forth for the constitution of the company, and very definite limits are assigned to the tariffs permitted, with the express stipulation that these shall be lowered so soon as the company's dividends rise above 10 per cent.

The really noteworthy feature of this Act is not so much the provisions which it contains, as the fact that the majority of these provisions were taken wholesale from the Canal Acts, passed fifty years previous to this date. The first Railway Act and the whole line of subsequent Acts are closely connected with the traditional policy, according to which we see the Government always at pains to safeguard the public interest in undertakings of this kind by a number of detailed regulations. Just as the Law of Turnpike Trusts led on to the Canal Acts, so the Canal Acts passed over into the Railway Acts. This explains the anomalous clause 165: "All persons shall have free liberty to use the carriages or roads for the purpose of conveying goods or passengers or cattle"—which has often been quoted in so misleading a manner, and becomes so easily intelligible when one remembers that it was simply copied, together with other more appropriate clauses, from the Canal Acts into the first and all subsequent Railway Acts.

Free competition in the true sense of the term has never existed in the English railway system. A certain degree of competition must, however, be admitted, which has arisen chiefly because Parliament granted its concessions, not on a consistent plan, like a French Council, but in an absolutely casual and arbitrary manner. In some cases it even aimed at encouraging competition between different companies. Nevertheless, as Gladstone said in 1844: "Railway competition are like lovers' quarrels—*breves inimicitiae, amicitiae sempiternae*."

This meant that the amalgamation of railway companies was an early development in the companies' history, and that a general misgiving soon began to exist regarding the possible consequences of such a monopoly in private hands. From this to the idea of nationalisation was but a step. Even before the age of railways, whenever Parliament had been approached with a request for a concession for the supply of gas (1810, 1816, 1817, 1824) the Earl of Lauderdale had offered the most strenuous opposition in the Lords to all Bills sanctioning the formation of a company for this purpose, on the grounds that such a monopoly should not be handed over to a commercial company. In view of the development of the railway companies on monopoly lines, this opinion became very general. Early in 1839 Mr. R. W.

Rawson delivered an address to the Royal Statistical Society, in which he compared the new Belgian State Railway system with the English system, very much to the disadvantage of the latter. At the same time, an Edinburgh Reviewer wrote: "Theory and experience alike conclusively prove that the State should control the railways"; and the same opinion is to be met in both Houses of Parliament. In the year 1844 a comprehensive Parliamentary inquiry was instituted, the result of which was the Act of August 9th, 1844. "After a period of twenty-one years," so runs the second clause of this Act, "it shall be lawful for the Treasury to purchase every railway which shall be sanctioned either in the present or in any of the future sessions of Parliament. The purchase shall come into force at three months' notice, and the purchase money shall amount to twenty-five times the average net profit of the past three years."

Next followed the classical age of the Manchester doctrine, in which the dogma of non-interference achieved its greatest triumphs. Naturally enough exceptions can be quoted even here. When in 1865 the twenty-one years prescribed by the Act of 1844 had elapsed, a Royal Commission was appointed to inquire into the railway question. The chief subject of inquiry was the tariff problem, especially the differences which existed between various distances—in a word that aspect of the railway question which specially brought out the incompatibility between a private railway system and the public ends which it was designed to serve. Nevertheless, the consequences of this incompatibility were not seriously discussed at this date. Only a single paragraph in favour of a State railway system was appended to the report in the form of a rider, by Sir Rowland Hill, the reformer of the Post Office. Even Gladstone, the ardent pioneer of the Inquiry and Act of 1844, declared in 1865, in his capacity of Chancellor of the Exchequer, that the Government had no intention of carrying into effect the provisions of the Act of 1844. Nor did the inquiry on "Amalgamation," instituted by the Parliamentary Committee of 1872, achieve anything beyond the appointment of a new Commission on Railways and Canals (1873). It is true that the warning note sounded by Captain Tyler, one of the railway inspectors who gave evidence before the Committee, was frequently quoted. "In the end," so ran the statement, "the country will be in the hands of a few companies, which will combine further among themselves until they form a single huge railway monopoly. The question will then arise whether the State shall control the railways or the railways

the State." Very similar, if more cautious, was the pronouncement of Mr. H. T. Farrer, the Permanent Secretary of the Board of Trade, who set forth his views in an article on "Industrial Monopolies," in the *Quarterly Review*. Even in the business world the movement had its supporters, and we find, firstly at Liverpool, and secondly at Hull and Plymouth, industrial magnates who raised their voices in favour of nationalisation.

Since then thirty-six years have elapsed, years fraught with many economic and social changes for all countries—not excluding England. The factor of the greatest importance in this respect has been the democratisation of England, following on the electoral reform of 1867. This has found expression in fiscal changes, in the legislation for the protection of the working man, and especially the railway employee, and, above all, in municipal socialism, for the democracy can impose its will with less hindrance on municipal than on national politics, where the former "ruling-classes" have kept a good deal of their influence. Hence the new socialistic spirit penetrated much more rapidly into the municipal transport services, gasworks, waterworks, and so forth, than into the corresponding national institutions. Even here, however, progress is not entirely absent. In 1861 Mr. Gladstone founded the Post Office Savings Bank Department, and in 1868 the telegraph was nationalised and became another branch of the Post Office—that institution which had for centuries remained the solitary national undertaking of its kind.

The foreigner is not, however, competent to judge of the prospects of so great a reform as the nationalisation of English railways. I will therefore confine myself to a short description of the experiences of Germany under this head.

III.

Under the influence of various political and economic conditions the railway policies of various countries have developed in different directions. But there is one experience which they all share. The undeniable fact that the greatest mileage by far is in the hands of joint stock companies must not on any account be regarded as the verdict of the majority in favour of this system. In the most important countries—England, France, and the United States of America—the question of public *versus* private ownership has been a burning one from the very beginning, and never has the controversy raged more fiercely than in the present

day. On the other hand, where nationalisation is an accomplished fact no one would seriously think of questioning the institution. This has long been the experience of Germany, and more recently that of Switzerland. In England even, the same may confidently be asserted of the postal and telegraph services. Or has any sane person ever been heard—even when the wave of Individualism was at its highest—to demand that the Post Office should be freed from Government control and handed over to a joint stock company or to the play of free competition and private enterprise? Has any serious proposal been made during the past forty years to go back on the nationalisation of the telegraph, except in that erroneous criticism of Stanley Jevons, who saw in the existing extravagant tariff a defect inherent in governmental administration?

It cannot be denied that every system and every measure of social and political life has its drawbacks. Moreover, where the public transport services are concerned unreasonable expectations and unjustifiable reproaches are never far to seek. But the real danger to which a national institution of this kind is exposed is the demand that, owing to its public character, it should be run at a financial sacrifice, while the responsibilities which the State thus incurs are liable to be overlooked. An example of this danger was afforded by the adventurous projects of Messrs. Galt, Brandon, and others, who clamoured for nationalisation from the earliest days of railway construction in England, in the hope of securing a field for the realisation of their wildest fantasies. It is true that contemporary Germany, where a State railway system is in force, has not provoked childish follies of this kind. But a more practical and lasting sort of criticism has now come into vogue. The earliest opponents of Prussian railway nationalisation had laid most stress on the objection that the finances of the State would not be equal to the strain. When experience proved the contrary, and the State railways began to show considerable profits over and above the interest due, the opposition shifted its ground and reproached the system with being too "fiscal," that is, inclined to give too much prominence to considerations of profit for the revenues of the State. There have been some persons foolish enough or forgetful enough to hold up the company system as a pattern on which the State system might well endeavour to model its policy, while in reality the majority of the companies generally made much larger profits. Still, it has never been seriously proposed to revert to the old system of private enterprise. The State railways have become a national institu-

tion, whose details may legitimately be criticised, but which in its entirety is no longer open to question.

And we must note this: there is nothing accidental about these institutions, for they develop according to an inherent necessity. The root idea is the same, whether we proceed according to the old English fashion of government, and safeguard the public interest by prescribing to these undertakings a course which will compel them to fulfil their obligations and serve the public need, or whether, under more favourable conditions, we carry the idea to its logical conclusion, and place the whole organisation into the hands of the State and the community. They are to be centralised institutions, organised on a single, consistent plan, and directed by the sovereign unity of a Government Executive.

A critical survey of the Australian railway system has recently been published by an American author (Victor S. Clark, the *Quarterly Journal of Economics*, May, 1908, Vol. xxii., pp. 399-451), following on a piece of work which was brought out by a Seminar of mine some considerable time ago. The article ends with the words: "The evils predicted of Government ownership in the United States are not now apparent in Australia. Each country has probably followed the policy best adapted to its circumstances. To change that policy in response to a theory would be unwise. If industrial conditions change in America in such a way as to demand Government ownership it will doubtless come."

I should be inclined to attack the problem for the United States and for Europe from a different standpoint. It is not so much the industrial as the political conditions which would have to be altered before Government ownership could become possible, and the decisive question to my mind is not whether Government ownership is desirable from the industrial point of view, but whether it is possible under existing political conditions.

I would not venture to prophesy for any foreign country at exactly what date its political conditions will be ripe for the nationalisation of its railways. But just for this reason I venture to maintain that it is only a question of time alike for France, for England, and for the United States of America.

The old fashioned but still popular method of instituting comparisons between different countries and systems, in order to discover whether State railways or private companies offer cheaper rates, greater security of conveyance, more facilities, &c., is doomed to remain barren. Comparisons of this kind are apt to

leave out too many considerations, and they never get to the root of the matter. The real question belongs to a higher order of things, and is not to be answered in terms of quantities at all. It amounts to this—that the sovereign power of Society over the principal means of transport must not in the long run be left to private enterprise and profit-making companies. The attempts, however, to attain this end by making the companies conform to certain stipulations laid down by Act of Parliament, and to laws and regulations enacted from time to time, have been attended by various degrees of failure. The cause of this is simple enough. The essential condition for the efficiency of any method of communication, such as railways, the Post Office, and the telegraph, is the most thoroughgoing centralisation possible. The more centralisation there is, the more order there will be, the more systematic arrangement, the more safety, promptitude and cheapness. Hence the irresistible tendency for such institutions to amalgamate into one great complex undertaking, even when there was originally no uniform plan and no centralisation. But every such amalgamation is a fresh step towards a monopoly, not *de jure*, but *de facto*, a monopoly which is inimical to the public interest so long as it is not in the hands of the community. Hence the restless tendency to nationalise every monopoly—the only means of setting the matter at rest. For the State is the only rightful owner of a monopoly, and the sole trustworthy guardian of the public interest.

It was in this spirit that, soon after the foundation of the German Empire, the scheme for a uniform State railway was placed in the forefront of the practical politics of the day. Here we have the first epoch-making measure directly antagonistic to the vulgar tenets of *laissez faire*. The difficulties encountered were not due to any doubt that might exist regarding the expediency of a uniform system of communication; they were based, not on economic, but on political grounds. The opposition came from the smaller German States, which clung with tenacious obstinacy to their independence, and were unwilling to make over to the central authority any more than they had already yielded at the foundation of the Empire. The consequence was that instead of having one great Imperial railway system, Germany had to put up with a number of small State railways, the only large one among them being the Prussian State Railway.

The expediency of a great uniform system has now been conclusively established by the success of the Prussian State Railway, which, thanks to the economies rendered possible by its high

degree of centralisation, has achieved a great reduction in its working expenses, and hence a large profit. And this notwithstanding that a generous price was originally paid to the dispossessed shareholders; that the network of Prussian railroads has been extended by branch lines in all directions; that the tariff rates and fares have been reduced, and the rolling stock and station yards renewed with a liberal hand.

All this is in striking contrast to the indifferent success of the smaller German States, whose railroads cover so little space that the receipts are barely sufficient to pay the interest on the capital expended on their purchase, without drawing on the general revenue of the State. Their narrow railway policy may therefore be said to have brought its own penalty in the shape of financial loss. Already, however, they have entered on the best way of repairing the damage. It is now ten years since the Grand Duchy of Hesse linked its railway system on to that of Prussia, so as to share in the advantages of a uniform organisation, and there is no doubt that in the course of time the other German States will be driven by the pressure of necessity to adopt a similar course. In a former article¹ I have already shown what an increasing benefit the profits of a State railway have proved during the past twenty years to the revenues of the kingdom.

The Prussian civil servant is undoubtedly a factor of the first importance in the State railway system. As early as the middle of the nineteenth century the experiences of the country in this connection were distinctly encouraging. When the Prussian Government guaranteed the interest on the original railways, it reserved to itself the right of taking over the lines in the event of such a contribution from its funds becoming necessary. As soon as one of the railway companies availed itself of this privilege and consequently passed into the hands of the Government, the net profits of the line rose immediately, and no further contribution from the revenue was required.

It may be true that the material of the Prussian Civil Service which is required for the State railway and other administrative functions has not by any means reached the level of absolute perfection. But this much is certain—the first indispensable condition of a successfully worked State railway system is a competent Civil Service. Indeed, among all the difficulties urged by American writers against the establishment of a State or Federal railway system in the United States, the most plausible

¹ ECONOMIC JOURNAL, 1907, pp. 516-523.

argument is that the need for reform of the existing Civil Service, which comprises the administrative authorities of towns, States, and the Union, is already one of the most urgent problems of public life. If this fresh duty, requiring the services of a mighty army of new officials, were to devolve on the State or Union, the problem would be complicated beyond all measure.

In the German States, and especially in Prussia, the tradition of some centuries has produced the type of civil servant which is a *sine quâ non* of this and other branches of public service. For, just as the success of private undertakings depends on the personality of individual chiefs and their assistants, so the public administration depends for its welfare on the character of its civil servants.

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EARNINGS AND SURPLUSES.

IN order to explain how the annual income of a nation is distributed, economic science has adopted the method of first supposing that the total amount of that income can be regarded as one sum--a National Dividend. The production and consumption of the goods which constitute this income go on, however, from day to day, without any obvious control of the intermittent consumption by the total production over a given time. For this reason it may be held that the term Dividend is only a verbal simplification of the problem of distribution, and that it derives its acceptance from the analogy of company finance, where a definite sum of profits is distributed at a definite time. My first purpose in this paper is to argue that this conception of a Dividend can be regarded in two ways, as a deductive supposition, and as an inductive summary; and that it is the latter of these which is the more helpful.

The principle upon which the amount of national income is distributed to each agent is held to be that of "marginal efficiency." This articulation of the theory of the Dividend is the special feature of recent analysis. My second purpose is to show that some at least of the prejudices which this theory has to overcome are due to confusion between a popular and a scientific use of the term "marginal"; that there is a difference between "real" and "analytical" margins. The former are limiting cases, empirically given; the latter are the last stages in a process of thought which is bound to certain assumptions. The question is of more than theoretical interest, since it affects our view of the fairness of a distribution of wealth upon this basis; and if we take the wrong view of what "marginal" means, we lend support to the contention that wage-earners are exploited.

Again, the theory of a Dividend distributed on a marginal principle raises further points of difficulty. The chief of these, especially if we take the *inductive* view of the Dividend, is that margins imply surpluses; we have to reconcile the fact that all individual consumers and producers realise surpluses, with the

view that the Dividend is distributed *without residue*. This reaction of the general point of view upon the instances from which it is derived is of special importance to the teacher of economics.

I.

Economics is as much entitled as is any other science to present a number of individual cases, or a frequently recurring process, under the form of a summarised result. There are some sciences in which this method is more available than it is in others; thus the sciences which deal with material bodies that are durable can present these as an actual sum more easily than can the sciences which deal with processes or created goods which are quickly consumed. In the former case, a real addition is more possible than in the latter; contrast, for instance, physical bodies which can co-exist with sensations which succeed each other. In economics we are near to the latter kind of instance; but it is desired, in order to present a general view of a number of processes over a certain period, to obtain the most feasible method of getting a summarised result. That is the aim of the National Dividend.

The idea of this Dividend can be presented in two ways. The first, and more abstract, is as follows:—We take the most general conception of economic science—competition; and we proceed to say that all the created wealth of a nation must be *supposed*, for theory's sake, to be aggregated, and then divided among the producers. Further, we must *suppose* that the distribution is made first to the three agents of production in general—Land, Labour, and Capital; and that thereafter wealth is subdivided within these groups to different kinds of Land, Labour, and Capital, until we come down to individuals. That is to say, we start from a general economic conception of competition, and suppose that on this basis a purely deductive presentation can be made of a general and a special distribution, although usually this analysis stops at the general distribution to the three industrial factors regarded as groups. Finally, we have to *suppose* that, competition being the guiding idea, the division so made between Land, Labour, and Capital will correspond in some way to their relative efficiencies in producing the sum that is being divided. In this general way the economists for some time indicated a deductive supposition; and Dr. Cannan calls this the notion of Distribution Proper. It appears unfortunate that this

name should be reserved for so abstract a process. It requires us to imagine wealth distributed from this fund to Land, Labour, and Capital separately; whereas, in fact, the industrial unit is an inseparable combination of these three. The fund of goods it imagines has no indicators of relative values; it is simply a stock of quantity. There is no suggested principle of division; how can we know by deduction how competition articulates itself in the industrial mechanism? The theoretic simplicity and neatness of this method of presenting the meaning of the Dividend are bought at too great a price. Only to the very simplest industrial conditions would it be applicable.

On the other hand, we can proceed as follows. We can calculate the wages which any workman receives in a year, and so obtain the total sum paid in wages; and we can do the same with rents and profits. We can then say that, although the wages of the first month have been spent by the end of the year, the wages-bill represents the total amount of the year's produce that has gone to labour; and we can regard it as one sum without going beyond the most ordinary use of scientific conceptions. Further, we can observe how, in each particular industry or business, the amount of wages paid is determined; and we can then transfer the principle so observed to the summarised case of all wages together. If the value of the marginal net product decides every wage, we can say it decides the wages-bill. But this is quite different from speaking of the marginal utility of "labour in general," as Distribution Proper requires us to do. In this second method of representing the sum of national wealth, we recognise that a simultaneous sum is not the fact, but is a legitimate method of summing up a number of facts; we are presenting a summarised result, not a general competitive conception. Again, the principle of division is derived inductively. We have still to realise that, although the stock of goods is marked with the relative values which observation of the competitive process gives us, no period of time will keep us free from the influence of "futures"; the National Dividend will always be affected by this. But in an annual period at least seasonal influences are allowed for, so that the Dividend is the year's product regarded as a sum divided out to the factors that have produced it. The idea of the Dividend is not therefore to be taken as a starting point for economic deduction; it is an inductive summary, an idea full of constant reminders of the particular cases from which it has been derived. No scientific method is more usual or legitimate than this.

Care has to be taken in transferring the idea of a dividend from the particular to the general case. In an individual business the dividend is after deduction of wages, and of labour embodied in materials. But the National Dividend must include all wages, so that the question arises what is meant by the *net* annual product of a nation. How, in a National Dividend, is it possible to make any such deductions from the gross product as a single business makes, if such deductions are paid as wages or profits to any persons at all? The nature of such deductions may be represented by supposing that land, capital, and stocks of materials have been hired by the community without rental; labour must be devoted to the up-keep or restoration of these, which draws on the new wealth of the country for wages, while its own products are mortgaged.

The distribution of the net product or Dividend is without residue, since it is a simple sum of wages, rents, and profits actually paid. And it is to persons, although paid in respect of all productive capacities, material or personal, that are owned by persons.

The cases in which the use of this generalised result is most necessary, are those in which money-values obscure in the particular the nature of real values. Hence the use of the conception of the Dividend in solving the problems of "Over-production"; of the meaning of Great Fortunes, and the national effects of concentration of wealth; and of international comparisons of industrial prosperity.

II.

We have now to ask the question, to what extent this general view of the distribution of the annual production of a nation enables us to regard the process as equitable. The basis of the economic theory, as we have seen, is that, in each of the particular instances which go to make the summarised result the rate of payment to each agent depends on *marginal* results. All services of a certain kind are paid at a rate which some of them are just efficient enough to deserve. If, however, some of these services can be distinguished from others at all this must mean that they are of different efficiency, and ought in fairness to be paid at a different rate. How, then, are we to justify the determination of wage-rates on the above basis?

The suspicion with which some economists, and many popular writers, regard the "way of margins" is based on a double use

of the word. In popular speech a marginal case is a limiting case; and this means that some one definite unit or group is marked off from others because it possesses some quality in a special degree. In this sense the least efficient man of any grade would be called marginal from the employer's point of view, since no one with a less degree of skill would be worth employing in that grade; while from the Trade Union point of view the most efficient man in that grade would be regarded as marginal, since anyone with more skill would be classed at a higher standard rate. Or, again, in this popular sense of the word, the penultimate visit to the well of the pitcher in the proverb was its marginal visit; or legislation, and the rules of societies, which attach penalties to certain acts, are aimed at marginal cases—that is, at those persons who will break them if they possibly can. Thus there is a current use of "marginal," according to which definite instances are in view, these being extreme instances; and, if this sense of the word were understood in economic science, it would appear unfair to determine wages and salaries on a "marginal" basis. The "common rule" would not do if the rates were fixed at limiting positions. Yet, even within economic science, we do sometimes appear to meet this use of the word. Thus economists may speak of the marginal acre of land, and be understood to mean a definite acre of low efficiency. Or they may designate as on the margin of employment those workmen who, being on the less regular staff of a firm, would be dismissed first during a depression.

These last instances would be lapses from accuracy into the popular use of the word. The theory of the margin does not imply definite instances or units, separated by special degrees of some quality. What it does imply is that a certain scientific analysis has reached a point beyond which it cannot proceed without violating its assumptions. In the absence of special evidence to the contrary, it is an economic assumption that no employer will give more than he gets; if, therefore, in the analysis of wage-rates, we come to a point beyond which we should have to assume charity, we are entitled to call this the limit of the analysis. It is the *rate* which is thus determined; no special workman fixes it, although the mental process of examining how it is fixed may require us to suppose the workmen employed and supervised one by one. We cannot decide upon fair wages by supposing all the workmen withdrawn, and finding the difference to the firm; therefore we must suppose a certain small number withdrawn, till a calculable difference is made in

the value of the output; this difference, reckoned at its net amount, is the wage that can be paid to that amount of labour. No *definite* workmen in the firm are withdrawn; there is no marginal man who fixes everyone else's wages; it is an analytical, not a real, margin that is implied. It is no answer to this to hold that wages are, in fact, determined by Trade Unions. A Trade Union might insist on any wage it liked, but the amount of labour employed would decrease until, in view of the rise in price of the product of the firm, each man was just worth the wage. The theory of the "marginal workman," if understood to imply that wages are determined by the definite workmen of lowest efficiency, might evidently be quoted as scientific confirmation of the view that all workmen are exploited. Perhaps therefore the following analogy, though not quite an exact one, may be useful. If I vote for a motion which is carried by one vote, there is a sense in which I may say that my vote decided the question, and was therefore the marginal or critical vote. But anyone else who voted with me may say the same about his vote. There is no *definite* marginal vote; but if we suppose the votes cast successively, and that I voted last, then my vote might be regarded as marginal. This is only an analytical method; it is really the total number of votes on my side which determines the value of each.

The marginal wage means, then, only the wage which employers are willing to pay, the number of workmen being what it is; and our question is as to our right to regard distribution on this basis as fair. Competition of masters will tend to equate wage-rates to the net value of a man's work to his employer. Does this give an efficiency theory of wages?

This theory would not be prejudiced even if every employer were to deny that he acted on it, since it is not necessary to the existence of an influence that all whom it affects should realise it. In the same way, a good cook may not know how to spell albuminoid. But it is necessary to the standing of a theory that its assumptions shall correspond with real conditions; and in this case there are two such assumptions—the employment relation, and the supply of labour *in bulk*. In other words, the wage payable to a workman can, even theoretically, be made equal to his productivity provided that: (a) There is some supervision of his work, and more or less conscious estimate of its value, and that (b) this supervisor could estimate the effect, on the output of his business, of the withdrawal of a certain quantity of labour. In the case of workmen these two

conditions are satisfied, so that the correspondence of marginal wage-rates to efficiencies would seem to be made out. But there is this qualification, that we obtain from these assumptions wage-rates which measure the value of work done *to certain employers and under a certain industrial system*. A final judgment on the fairness of wages requires some consideration of the employers and of the organisation of industry. Only so far as these also are efficient do wages measure the *social* value of labour. Such questions are here suggested as—Is the wage-relation better than a co-partnership system or a co-operative work system? Is direct employment by the State more efficient than the whole competitive system of private trading? It is an entirely fallacious optimism to suppose that, because efficiency wages are paid under existing industrial conditions, therefore these conditions should not be changed.

There is a further difficulty. The two conditions stated above do not apply to the salaries of managers or directors of firms. Managers are employed, but not in bulk, so that the method of partial diminution could only be applied to their hours of labour, and it may be doubted if this can even be supposed workable. Directors are not employed or supervised at all; no one consciously measures the efficiency of firm against firm as the manager measures man against man. The whole theoretical machinery of wage-determination seems to break down for the higher forms of wages. And if we cannot prove the efficiency theory for managers, it breaks down for the men they manage.

The answer has been made that we can prove the theory generally by supposing that there is continuity between lower and higher forms of work. If the wages of skilled men are on an efficiency basis, and the most skilled men can rise to be managers, there will be real competition between managing and manual labour, so that the wages of the former will differ from those of the latter just by the difference of efficiency. There appears to be a circle in this reasoning. Workmen's wages are not proved to measure efficiency unless we know that the managers are efficient; the proof of the efficiency wage of the managers cannot therefore be derived by continuity from existing manual wage-rates.

Finally, the efficiency theory applies only to the earnings of work. But though capital produces it does not acquire, and a large part of the income of certain persons is paid in respect of the earnings of capital owned by them. It is not the result of economic theory, even so far as that is an efficiency theory, that

incomes are on a basis of personal efficiencies. And as a great, if not the greater, part of Socialist contention rages round the holding of property and the incomes derived thereby, it is plain that too great claims should not be made for the efficiency theory of earnings as a reply.

III.

We have now to face a further difficulty connected with the method of marginal values. It is held that all economic transactions show surpluses, to both producers and consumers. The consumer pays for an article less than he would have been willing to give rather than go without it; the producer always finds some parts of his capital working at greater advantage than other parts, though the return to both is fixed by the same market price. But if the notion of a margin implies that of a surplus on all purchases or investments that are above the margin, will there not remain, after the whole National Dividend is distributed on a marginal basis, the sum of these surpluses as a remainder? How can we say that the Dividend, if divided on the marginal principle, is divided without residue?

This is a very natural difficulty. It is not met by the reply that there are always national savings. These savings have been allowed for in the distribution, and imply only that some of the divided goods are of the nature of durable machinery, not of the nature of directly consumable articles.

The general answer to this difficulty is, that the surpluses or savings so realised on certain goods reappear as the outlay on other goods. What the producer saves is re-invested, and with his savings the consumer buys these further products. It is clear that, if a man spends his whole income, he has not paid less for goods in general than he could have been made to pay; his surplus is due to the fact that at one level of prices he obtains more goods than at another. And the lower level of prices means, from the side of supply, that there are more goods in the total stock.

Surpluses do not therefore trouble us in the whole National Dividend, which is distributed without residue, and yet on a marginal basis. But this difficulty itself—which I have found frequent among students—calls for great care in the exposition of the theory of consumers' surplus. The reply is more easily made on general grounds than by reference to the consumers' demand for individual articles. The latter would require us to suppose that goods could be arranged, or grouped, in order of

desirability to the consumer, so that the surplus on necessities was spent on luxuries, and so forth. It is truer to the facts to say that there is a constant interaction between the demands of an individual for *different quantities* of each of a number of goods, so that surpluses and outlays are inextricably and simultaneously involved in each other. Only thus can we maintain that each demand curve represents an effective demand and a real surplus, and that, at the same time, the surplus on each commodity is actively employed elsewhere.

A further objection may be made to the theory of producers' surplus, on the ground that it implies a tendency of profits to inequality. For, since profits on the marginal investments must be normal, it follows, if there are intra-marginal investments, that on the total outlay profits are always more than normal. This objection is met, in the case of free capital, by the cost of shares in businesses according to the rate of their profits; and, as no one would buy shares at a premium who could invest capital on his own account, it is implied that such investment could not be made at once, and that therefore the variable surplus gains on capital already invested can properly be regarded as of the nature of rents.

D. H. MACGREGOR

APPRECIATIONS OF MATHEMATICAL THEORIES (continued)¹

III. AIL that precedes may be regarded as merely preliminary to the beautiful mathematical construction on which Mr. Bickerdike mainly rests his theory. In building up this edifice of science he employs certain unessential simplifications, which may be regarded as a sort of scaffolding. I shall first describe, then contemplate in use, then remove, three pieces of this subsidiary apparatus.

First (a) it is supposed that the demand-curve and the supply-curves employed are of the simple kind which Dr. Marshall has defined as curves of constant elasticity.² Perhaps the relevance of the concept "elasticity" to the present investigation may be made clearer to readers of the classical school by observing that the distinction between elasticity of demand greater or less than unity³ corresponds to the distinction between

¹ See the preceding number of the ECONOMIC JOURNAL.

² Bickerdike, ECONOMIC JOURNAL, 1897, p. 101; Marshall, *Principles of Economics*, Mathematical Note iii.

³ See J. S. Mill, *Pol. Econ.*, Book III., ch. xviii. § 5; and above, p. 395. If the "linen" which the home country imports is denoted by a_1 , the cloth which she exports by a_2 , it may be shown that the home country belongs to Class E or I according as $\frac{da_1}{da_2}$ is positive or negative; where a_1 and a_2 are connected by a Supply-and-Demand curve of the kind proposed by Marshall for the "pure theory of foreign trade" (See Pantaleoni, *Principii di Economia Pura*, or the English translation thereof, for an authorised version of Marshall's doctrine). The equation to this curve may be written $a_1 f_1(a_1) = a_2 F_2(a_2)$; if with Mr. Bickerdike we put $y = f_1(x)$ for the equation of the home country's demand for imports, and $y = F_2(a_2)$ for her supply of exports, y denoting price in a money which (as postulated in our text) is peculiar to the country. Accordingly

$$\frac{da_2}{da_1} = \frac{f_1(a_1) + a_1 f_1'(a_1)}{F_2(a_2) + a_2 F_2'(a_2)}$$

(by the usual rule for the differentiation of an implicit function)

$$= \frac{f_1(a_1)(1 - 1/e_d)}{F_2(a_2)(1 - 1/e_s)}$$

in the (slightly varied) notation of Mr. Bickerdike, who (after Marshall, *Principles of Economics*, Mathematical Note iii), puts for e_d the measure or coefficient of elasticity of demand, the *negative* of the (negative) increment of commodity corresponding to a (positive) increment of price, and (without, I think, Marshall's authority) extends this notation to elasticity of supply. Thus ($-e_s$, e_s being the *negative* of the

Mill's first and third varieties of demand—the E and I of our first section. This distinction persists, though the levels of price, according to the usual conception of international trade, may alter.

(b) A second simplification is effected by imagining each country to use a money peculiar to itself. This money, as I understand, may be conceived as of the kind which Ricardo usually presupposes, the kind of which he says, "I shall suppose it to be invariable."¹ We might imagine the national money in Mr. Bickerdike's system to be an inconvertible (or at least unexportable) currency, regulated, as some theorists have proposed, so that its value should remain constant. Constancy of value might be secured by one of the methods of measuring the value of money which I have elsewhere described, preferably the one called Ricardo's Method, or the Labour Standard.²

(c) It is further postulated that supply and demand on the part of the community are related in the simplest possible manner to the supply and demand on the part of the individuals which make up the community: the collective demand (at any assigned price) being the sum of the demands of the individuals (at that price); and likewise the community's supply (at a price) being the sum of the amounts supplied by the individuals (at that price). I propose to define this class of curve as *primary*;³ taking between *primary* and *secondary* the distinction drawn by Mr. Cunyngborne between the simpler and the more complicated curves which he has described in a well-known article.⁴ I assume

increment of supply corresponding to an increment of price, is positive, the third of the postulates in the text being granted. Also $f_1(a_1)$ and $F_2(a_2)$, denoting prices, are essentially positive. Therefore $\frac{da_2}{da_1}$ is positive or negative according as $1/e_d$ is less or greater than unity. Therefore the home country belongs to Class E or I according as e_d is greater or less than unity.

¹ *Principles*, ch. i. § 6.

² Report of the British Association for 1889, p. 436.

³ As in my *Theory of International Values*, *ECONOMIC JOURNAL*, Vol. IV.

⁴ See *ECONOMIC JOURNAL*, Vol. II, p. 35, and for my interpretation of Mr. Cunyngborne's distinctions, Vol. XV, p. 63. As I understand, the two kinds of relation between price (y) and quantity of commodity supplied (x) may be symbolised by one form $y = \psi(x, x)$; where x is treated as constant when the curve is primary, is identified with x when the curve is secondary; the dependence of ψ upon x corresponding to the "external economies" varying with the scale of production, or more generally to the influence which the action of all has on the "dispositions and dispossibilities" (in M. de Foville's apt phrase) of each. Demand-curves may be similarly divided. For example, $y = x + 1 - \frac{1}{2}x$ represents primary supply-curves inclined positively at an angle of 45° , a secondary supply-curve inclined negatively to the abscissa at an angle of about $26^\circ 34'$. Likewise $y + x = 2 - x$ represents primary curves inclined negatively at an angle of 45° , a secondary demand curve inclined negatively to the abscissa at an angle of about $62^\circ 26'$.

that primary demand-curves are always inclined negatively, and primary supply-curves positively, to the abscissa.

With the aid of these three postulates, by a chaste use of mathematical reasoning, Mr. Bickerdike establishes his two propositions. Obtaining an expression for the rate at which advantage increases with the increase of a small tax, he infers the first proposition from the *sign* of that expression, and the second proposition from its magnitude.¹ "The formula shows only the tendency of a very small tax," as he observes. But we may extend the reasoning from a very small, to a small tax—from an infinitesimal, to a small finite change in the independent variable—by a procedure which Cournot has largely employed in investigating the effects of taxation.² Begin with a very small tax levied by the home Government from buyers of foreign commodities. If every buyer has to contribute to his Government so much on each purchase, his effective demand will be altered much as the demand of a customer for goods sold at a shop might be altered, if, instead of having the goods delivered gratis at his house as heretofore, he had to pay for their carriage.

- In short, the demand-curve of the home country—the curve which represents the amount of foreign commodity which the home country will take at each price (in the money of that country)—has been disturbed and subjected to a slight variation. There results a new system with a new position of equilibrium. Operating on the new system, let us *de novo* impose a new small tax. And so on. The inferences which were primarily true only of a single step, may now be extended to a whole flight of stairs. We may suppose the stairs to be in a vertical plane; the horizontal length of each step depends on the increment to the tax, and the increment of height corresponding to an increment of length represents an increment of advantage. The steepness of the stairs will in general diminish as we advance, until a point of maximum elevation is reached.³ In accordance with the theory we perceive (1) that the stairs will be in general of finite length (measured horizontally from the starting point to the position of maximum elevation); (2) that if the construction be altered by an increase of the elasticity of the home demand, *cæteris paribus*, the first step of the new stairs will be higher than the first step of the old stairs,⁴ the second step of the new higher than the

¹ ECONOMIC JOURNAL, Vol. XVII., p. 100.

² *Principes Mathématiques*, Art. 32.

³ Compare the illustration given at p. 400, above.

⁴ The curve of supply and that of demand on the part of the foreigners and the curve of supply for the home country are not disturbed; and accordingly their

second step of the old, and so on; the comparison, in favour of the new system, being facilitated by the interesting circumstance pointed out by Mr. Bickerdike, that there are, so to speak, the same number of steps in each of the flights of stairs, that the *position* of the maximum elevation remains constant.

The safety of these steps is secured by the condition that the equilibrium of the trade with which we are concerned is stable. The case of failure excepted by Mr. Bickerdike as "peculiar and unlikely" ¹ is rendered practically impossible by that condition. For it secures that the denominator of the expression for the rate at which advantage (to the home country) increases with the increase of the duty, is always positive.² (The numerator of the expression is positive by the third postulate.)

coefficients of elasticity remain constant. The curve of demand for the home country is indeed disturbed; but it appears from Mr. Bickerdike's equation (Economic Journal, 1907, p. 100) that at the point defined by the new amount of imports, say α'_1 , the elasticity of the disturbed curve is the same as the elasticity of the old curve at the point defined by the co-ordinate α'_1 . But the elasticity of the old curve at that point is the same as at all other points, viz. the constant e_d . Thus the whole expression for $\frac{du}{dr}$ given by Mr. Bickerdike remains constant.

¹ Referred to above, p. 392

² In order that the equilibrium of trade should be stable there must be fulfilled by the Marshall curves, at their point of intersection, a certain condition (Pantaleoni, *Pure Economics*, p. 207); which may be thus stated. If the abscissa represent exports from the home country (α_2) the ordinate imports into the same country (α_1), then the tangent of the angle which is made with the abscissa by a tangent to that country's Supply-and-Demand at the point of intersection, say the *slope* of the curve at that point, must be greater in *absolute magnitude* than the slope of the foreign country's Demand-and-Supply curve at the same point; whenever the two slopes are either both positive or both negative. Now for the home country the slope is

$$\frac{F'_2(\alpha_2)(1-1/e_s)}{f_1(\alpha_1)(1-1/e_d)}$$

as follows from Note 3 to p. 511. And the slope for the foreign country is

$$\frac{f_2(\alpha_2)(1-1/\eta)}{F_1(\alpha_1)(1-1/\eta_\sigma)}$$

by parity of reasoning, in Mr. Bickerdike's notation.

We have therefore, if the slopes are either both positive or both negative,

$$\frac{F'_2(\alpha_2)(1-1/e_s)}{f_1(\alpha_1)(1-1/e_d)} \bigg/ \frac{f_2(\alpha_2)(1-1/\eta)}{F_1(\alpha_1)(1-1/\eta_\sigma)} > 1.$$

Now by Mr. Bickerdike's equation (1) (*loc. cit.*) we have (his " r " being initially = 1)

$$\frac{F'_2(\alpha_2)}{f_1(\alpha_1)} = \frac{f_2(\alpha_2)}{F_1(\alpha_1)},$$

therefore $(1-1/e_s)(1-1/\eta_\sigma) \cdot (1-1/e_d)(1-1/\eta_\delta)$ the denominator of the expression for $\frac{du}{dr}$ is positive.

For the case in which the two Supply-and-Demand curves are not both positively or both negatively inclined to the axis, this reasoning is no longer available. But

The theory may be extended, as Mr. Bickerdike intimates, to duties upon exports; which form what may be called the "external case" of the theory. I follow Mr. Bickerdike in leaving this case to be worked out by the reader. Nor do I enter into the varieties which are presented by the partial taxation of particular imports or exports. For the purpose of this Appreciation it is allowable to lump together the imports, and likewise the exports, under one head, like Mill's "cloth" and "linen."¹

Some parts of the theory may be enunciated with reference to the premiss by which each is principally supported.

(a) Mr. Bickerdike's first assumption affords an easy method of forming a judgment as to the magnitude of a tax which may be consistent with advantage to the taxing country. After the experiments which we have performed above with laws of demand taken at random, we shall not be surprised at Mr. Bickerdike's result:—"Rather strong assumptions have to be made as to the elasticity of foreign supply and demand if the rate of the tax affording maximum advantage is to come below 10 per cent."²

(b) Mr. Bickerdike's second device—a national money of constant value—is no less serviceable. It is free from the dangers to which the use of money in the theory of international trade is liable; while it is not open to the objections which Cournot and others have brought against the classical conception of barter without the use of money. It avoids also a certain danger attending in the conception of barter which, in the light of Mr. Bickerdike's theory, has become visible. When demand and supply are expressed in terms of the commodities exchanged (abstraction being made of money), there is a difficulty in representing a money tax on imports in the case of inelastic demand.³

it is no longer required. For the case can only occur when one of the coefficients of elasticity is greater than unity and the other less. And in that case the second term of the denominator to which a negative sign is prefixed is negative. Accordingly the denominator is the sum of two parts, both of which are positive.

¹ Cf. Bickerdike, *ECONOMIC JOURNAL*, Vol. XVII. pp. 100, 101.

² *ECONOMIC JOURNAL*, Vol. XVII. p. 101.

³ The difficulty may be cleared up as follows. When an import duty of p per cent. *ad valorem* is imposed by the home country the Supply-and-Demand curve (above, note 3 to p. 541) becomes transformed to Mr. Bickerdike's equation (1) $\tau a_1 f_1(a_1) = a_2 f_2'(a_2)$, where $\tau = 100/(100 + p)$. To exhibit the position of the new curve in relation to the old one let us suppose *OE* in Fig. 2 (a reproduction of Mr. Bickerdike's first figure) to be the undisturbed Supply-and-Demand curve for the home country; and let us consider with reference to any assigned value of the ordinate a_1 , any point on the perpendicular passing through *O*, what is the abscissa, the new value of a_2 as compared with what the abscissa would have been if the curve *OE* had not been disturbed by the import duty. Let a_2 be the old abscissa, $a_2 + \Delta a_2$ the new abscissa (corresponding to the assigned value of a_1). Then to determine Δa_2 , we have, putting $(1 - \tau)$ for (the proper fraction) τ ,

I must confess to have fallen into the trap which is here, and to have made statements about a tax on imports which are only true of a tax in kind, not in money.¹

The use of a peculiar money allows us, with more security than in the preliminary stage,² to employ the curves proper to domestic trade for the purpose of exhibiting the loss of surplus advantage consequent upon a customs duty. We have only to imagine that in Fig. 1 DD' now represents the demand-curve for imports from abroad in terms of the *national* money; while

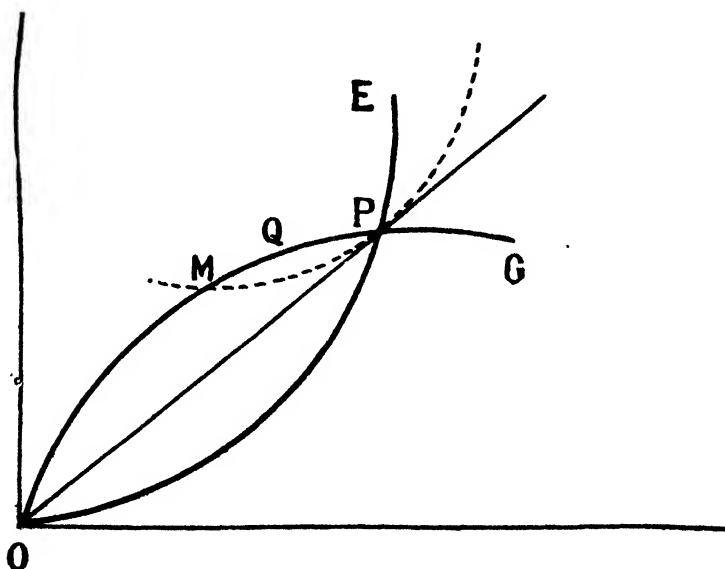


FIG. 2.

SS' represents the supply of such imports by the foreigner at prices reckoned in the same money, that of the home country.

$$(1 - \tau)\alpha_1 f_1(\alpha_1) = (\alpha_2 + \Delta\alpha_2)F'_2(\alpha_2 + \Delta\alpha_2); \quad (1 - \tau)\alpha_1 f_1(\alpha_1) = \alpha_2 F'_2(\alpha_2) + \Delta\alpha_2(F'_2\alpha_2) + \alpha_2 F''_2(\alpha_2);$$

$$- \tau\alpha_1 f_1(\alpha_1) = \Delta\alpha_2 F'_2(\alpha_2)(1 - 1/e_s)$$

Now e_s is positive (by the third postulate). So is T . Accordingly $\Delta\alpha_2$ is negative; the new curve is swung to the left of the old one, the change in OE being, as Mr. Bickerdike has pointed out, of the kind represented in Fig. 3 of my article on International Values, *ECONOMIC JOURNAL*, Vol. VI. p. 430. The foreigners' Demand-and-Supply curve remaining unchanged, we may reason with Mr. Bickerdike (*ECONOMIC JOURNAL*, Vol. XVI. p. 532) that the new position of equilibrium, say Q , is one of increased advantage to the home country.

¹ See Bickerdike, *ECONOMIC JOURNAL*, Vol. XVI. p. 532, referring to my vol. iv. p. 432. I had recognised that a distinction which I had drawn between export and import taxes was not applicable to taxes in money, only to customs duties in kind—not a very important reservation, I admit. (See *ECONOMIC JOURNAL*, VII. p. 53, and p. 230, Note 3.)

² See above, p. 402.

When the duty is of the kind supposed, the national currency is appreciated with respect to the international money; and accordingly the foreign supply is raised, the curve SS' being thrust down. In the limiting case above supposed, where SS' was originally a right line, it will be lowered in such wise that the whole tax will accrue to the 'Treasury, without any loss of Consumers' Surplus. In general the preliminary argument becomes *a fortiori* through the change of price-level.

FIG. 3

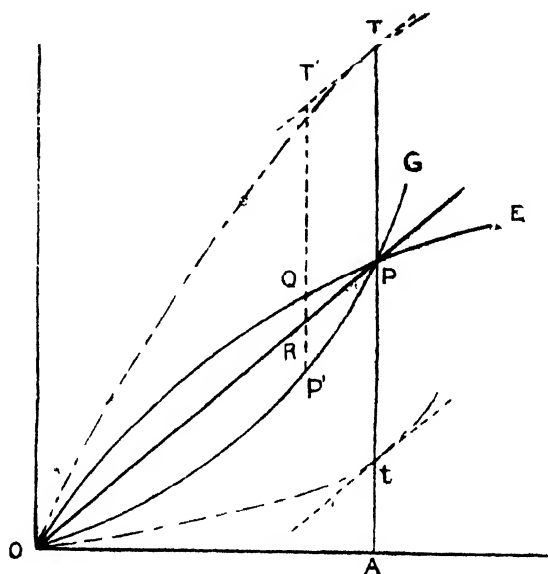


FIG. 3.

(c) The third postulate allows us to evaluate the advantage obtained by the home country. For this purpose I shall employ another construction, that of Auspitz and Lieben, which, as already suggested,¹ may offer some advantages. It will be remembered that they employ even in domestic trade a construction like that which Dr. Marshall invented for foreign trade. But in their construction the ordinate represents, not an amount of commodity, but an amount of money given in exchange for a commodity, which may at first be supposed to be altogether produced at home. Thus, in Fig. 3, AP represents the quantity of money offered for OA , a quantity of commodity, at the price represented by the (tangent of) the angle POA , OPE being the

¹ ECONOMIC JOURNAL, Vol. XVII. p. 226.

demand-curve. Likewise the dispositions of sellers are represented by the supply-curve OPG . If through the point O is drawn the (collective) indifference-curve (to use my own terminology), OT pertaining to the buyers, the vertical distance between the demand-curve and the indifference-curve measures the Consumers' Surplus, the collective total utility incident to purchasing at a certain price. Thus for the price (tan) POA , PT is that total utility. Likewise the vertical distance between the supply-curve and the corresponding indifference-curve represents the gain of the sellers, e.g., Pt . The total advantage to the community (Consumers' + Producers' Surplus) is Tt . The last proposition remains true even if we suppose that the indifference-curve pertaining to buyers does not pass through O , but through a point at a vertical distance from O ,¹ with a like supposition as to the curve pertaining to sellers.

When a tax is imposed on the commodity the effect is to diminish Consumers' Surplus from TP to $T'Q$, that is (since TT'' , the tangent at the point T , is parallel to the line OP) by an amount QR , which is less than the yield of the tax QP' , and than the foreigner's contributions to the yield $P'R$.²

So far with respect to a domestic commodity. We have next to suppose the curve OPE to represent the Demand-curve of the home country for imports from abroad; OPG the foreigners' supply of those commodities (at prices reckoned in national money). We are now not concerned with the surplus advantage accruing to the foreign sellers. In estimating the advantage which the home country obtains from the trade, we must take into account not only the gain of the consumers, but also the loss of the home producers. It will be found that this collective utility is represented by a new curve OT , which has the same relation to the new OPE as the old OT had to the old, namely, that if a straight line in any direction through O meets the demand-curve at a point P , and a perpendicular through P cuts the indifference-curve O in T , the tangent to that curve at T is parallel to the line OP . Auspitz and Lieben establish this extension of their construction through the appropriate conception of a certain amount of commodity distributed gratis among the consumers and producers of the home country in accordance with

¹ As sometimes supposed by Auspitz and Lieben; whose terminology I do not follow literally.

² In this reasoning it is taken for granted that the vertical distance between T' and the curve OT may be neglected in comparison with QR and RP' ; in virtue of the general principle enounced in the last section, above, p. 400.

the laws of final utility—a conception pertinent to scientific Socialism.¹

So far as to imports abstracted from their concomitant exports. To represent the interest of the home country in the amount of exports, let OG now represent the home-country's supply of exports. By a parity of reasoning we may show that Tt now represents the net gain in the way of exportation.

The two together are equivalent to the sum-total which Mr. Bickerdike defines as the net advantage of trade.²

Having now shown the use of the scaffolding, I shall proceed to remove it bit by bit.

(a) First it may be remarked that the assumption of constant elasticity is not essential to Mr. Bickerdike's conclusions. The *initial* rate at which advantage is increasing with a small tax has the same expression, whether the elasticities be considered as constant or not. The argument by way of steps holds good provided that, as before, in the two compared flights of steps (corresponding to different degrees in the elasticity of demand on the part of the home country for the imported goods), each step of the one is higher than the corresponding step of the other.³ Even the expression for "the maximum advantage rate" in terms (only) of the elasticities of foreign demand and

¹ We may also reason thus. Let y be the ordinate of the curve (not shown in the figure) which represents the *total* demand of the home country for the commodity whether home-made or imported. This curve lies *outside* OPE (which now represents the demand of the country for *imports* of the commodity); a vector drawn through O , making an angle θ ($< 90^\circ$) with the abscissa, meets the total demand-curve in a point, say Π (not shown in the figure), such that the distance of Π from O along the vector is greater than the distance of P , the point where the vector meets the demand-curve for imports. For $O\Pi = OP + O\pi$, where π is the point at which the vector meets the home country's supply-curve of the commodity (not shown in the figure, OPG is now the *foreigner's* supply-curve). Let (x, y) be the coordinates of Π , (x_1, y_1) of P , (x_2, y_2) of π . Then (for every value of θ) $\Delta x_1 \tan \theta = \Delta x \tan \theta - \Delta x_2 \tan \theta$. Now $\Delta x \tan \theta$ is the pecuniary measure of the marginal utility to the consumers in the home country of an increment of the commodity; $\Delta x_2 \tan \theta$ is the loss to the home producers consequent upon the decrement of production Δx_2 . Accordingly, $\Delta x_1 \tan \theta$ represents the net gain to the home country of an increment of importation Δx_1 . But $\tan \theta = \frac{y_1}{x_1}$, where y_1 is that function of x_1 which forms the equation of the curve OPE . The curve OT obtained by integrating $\frac{y_1}{x_1} \Delta x_1$ now measures by its vertical distance from a point on OPE the net utility resulting from a certain amount of importation, in the same way as it before measured the consumers' surplus for a certain amount of home production.

² The expression for u , ECONOMIC JOURNAL, Vol. XVII, p. 100.

³ A condition which does not now admit of so neat a symbolic statement as before.

supply still subsists.¹ But when these elasticities are not constant, the formula cannot be used for purposes of verification as before. The formula in its generality may be employed to show that the home Government, by means of a customs duty, may exercise a power of monopoly, and screw up the terms of international trade to the very point which the home country, acting as a Combination, would fix.

(b) When we abandon the supposition of a money peculiar to each country, we must base the theory of foreign trade on a more abstract conception, such as the "unit of productive power," which Professor Bastable has found it necessary to introduce,² or the "unit of work" which I have employed.³ For, I think with the classical writers, it is not in general safe to ignore the change in the level of gold prices within the home country consequent upon a variation in the terms of international trade. How, except by means of a change in the price-level, can we explain the

¹ To determine the rate of the tax which affords the greatest advantage to the home country, we have the condition that the disturbed Supply-and-Demand curve for the home country should intersect the (undisturbed) curve for the foreign country, viz., OG (Fig. 2) in a point Q which represents a state of trade of maximum advantage to the home country. In order that this condition should be fulfilled the tangent to OG at Q ought to coincide with the indifference curve pertaining to the home country which passes through Q . (See *Mathematical Psychics*, p. 116.) Now the (differential) equation to an indifference curve, relating to the home country, is

$$\frac{da_1}{da_2} = \frac{F'_2(a_2)}{f'_1(a_1)}.$$

The expression on the right denotes the slope, at the point (a_1, a_2) , of an indifference curve passing through that point. Also the slope of the foreigners' Demand-and-Supply curve at the point (a_1, a_2) is

$$\frac{f_2(a_2)(1-1/\eta_\delta)}{F_1(a_1)(1-1/\eta\sigma)}$$

Equating the two expressions for the slope and employing Mr. Bickerdike's equation (1) we have

$$r = \frac{1-1/\eta_\delta}{1-1/\eta\sigma};$$

which is Mr. Bickerdike's result extended to the general case of variable elasticities.

Considering Fig. 2 to represent a market in the general sense of the term we see that if the dealers on the one side of the market for which the Supply-and-Demand curve is OE were to act as a Combination, the terms which they would force on their customers competing against each other are represented by the point Q in the curve OG ; discrimination between customers being forbidden (*Mathematical Psychics*, loc. cit., and p. 116). The point thus defined is coincident, I think, with the "maximum utility point" investigated by Prof. Pigou in the Appendix A to his *Methods of Industrial Peace*. The analogy between monopoly and the action of a tariff is exhibited by Auspitz and Lieben. (*Theorie der Preise*), §.

² *International Trade*, ch. ii. p. 23 (ed. 4).

³ "Theory of International Values," *ECONOMIC JOURNAL*, Vol. IV. p. 441 and p. 631.

benefit which a country whose exports are in great demand in foreign countries can obtain by imposing a duty on commodities imported from those countries.¹ To determine, or at least define, the "unit" supposed to be constant while the level of gold prices is altered, we may have recourse to the principle of the Labour Standard already referred to as the regulator of the money imagined by Mr. Bickerdike. Of that money, as compared with this ideal standard, we may say what Adam Smith says of "a particular commodity" compared with "a quantity of labour": "The one is a plain, palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious."

(c) The last limitation to be removed is the postulate to which Professor Pigou has objected, that "a *supply-curve* can be treated as a *particular expenses curve*,"² together with a corresponding assumption on the side of demand. "This is not legitimate in general," as Professor Pigou observes, "but it may be in special cases." I submit that this is one of the cases in which the assumption may be safely employed.

First, the postulate in question is "the least arbitrary assumption in the absence of special knowledge," a "neutral condition"³ between two conditions of which neither is known to prevail. These outlying conditions are described, with special reference to supply, as "Co-operative" and "Anti-co-operative," conditions correlated to, but not coincident with, Increasing and Decreasing returns as usually understood. I accept this presumption, based, as I understand, on the principle of what I have called *à priori*, or unverified Probability.⁴ The pre-

¹ The case of the "Guernsey" supposed above, p. 396. But in order that a change of price level should occur and have to be taken into account, it is not necessary that the home country should be very small (in relation to the foreign country); it is sufficient that it should not be large. Of course the amount of trade affected by the tax must be considerable in order to produce a sensible result on general prices in a measurable time.

² ECONOMIC JOURNAL, Vol. XVII. p. 290.

³ If as above, the supply-curve is designated by the equation $y = \psi(x, x)$, the conditions are co-operative or anti-co-operative, according as $\left(\frac{\partial \psi}{\partial x}\right)$ is negative or positive. Like distinctions apply to the demand-curve $y = \phi(x, x)$.

It may be observed that $\left(\frac{\partial \psi}{\partial x}\right)$ —the partial differential with respect to x only—is always positive, $\left(\frac{\partial \phi}{\partial x}\right)$ always negative; $\frac{d\psi}{dx}$ —the complete differential when $x = x$ —and likewise $\frac{d\phi}{dx}$, may be either negative or positive, but $\frac{d\phi}{dx}$ cannot (in stable equilibrium) be positive while $\frac{d\psi}{dx}$ is negative.

⁴ *Ante*, Vol. XVII. p. 227.

sumption is confirmed by an appeal to authority evidencing that the assumption has worked well. Mr. Bickerdike claims the authority of Professor Pigou¹ on the ground of his admission respecting Consumers' Surplus, to which I have already adverted. I may add that in his mathematical reasoning about Arbitration,² Professor Pigou explicitly abstracts complications of the kind here called "secondary." A similar abstraction has been unconsciously practised with good effect by other authorities. Many a humble votary of pure science has been edified by the truth as it is in Jevons, without having so much as heard whether there be a superadded complication.

Moreover, the effect in question, the taxation of the foreigner, is not inconsistent with the *secondary* conditions of supply and demand. It depends on a certain coefficient, of which the value is probably favourable to the effect. For the purpose of this interior line of defence, we may employ once more the construction which has been adopted from Auspitz and Lieben. In Fig. 3 let the curve O now represent a Demand-curve of the secondary type, with respect to a commodity which at first may be supposed to be wholly imported, not capable of being produced at home.³ The secondary curve might be of a kind which, unlike OT in the figure, is convex with respect to the abscissa in places (for certain portions of the curve).⁴ Now, from this new (secondary) Demand-curve OP construct a new OT , which may be called a secondary curve of Total Utility, by the same formula as that whereby the old OT was constructed from the old OE .⁵ As in the case of primary curves, we may reason that if by an import tax the terms of international exchange are shifted from P to P' , the vertical distance of P' from the so-called Total-Utility curve is greater than that of P . But it is no longer given that the increase in that vertical distance measures the increase in the advantage accruing to the home country. For corresponding to Δx , a small increment of exports, the increment of utility is not ΔY , formed from the given secondary Demand-curve, y , but an increment, say ΔH , formed by the same formula from the primary Demand-curve, η ,⁶ which by hypothesis passes

¹ ECONOMIC JOURNAL, Vol. XVII. p. 585.

² *Methods of Industrial Peace*.

³ So may the supply-curve (from abroad) be concave, but the two exceptional conditions cannot coexist.

⁴ That is, if Y is the ordinate of the total utility-curve, and y that of the demand-curve, $\frac{dY}{dx} = y$.

⁵ T is not now coincident with τ , the point which by its vertical distance above P measures the total sum that the consumers could be induced to give rather than forego altogether the use of the commodity.

through P . Now, if ΔH is equal to ΔY , the same conclusion is obtained as before. If ΔH is less than ΔY —the subtraction of surplus consequent on the *diminution* of X being *less* than in the first case—the conclusion becomes *a fortiori*. If ΔH is greater than ΔY , the advantage obtained by the home country is indeed less than on the original supposition, but it is still positive, up to some value of the ratio $\Delta H : \Delta Y$, which in general exceeds unity by an amount that is not infinitesimal. Therefore, on the principle of *a priori* probability, we may presume that the ratio $\Delta H : \Delta Y$ is probably favourable to the fulfilment of the theory.

The presumption may be extended to the general case in which the commodity imported can also be produced at home. It may be extended also to estimate the loss to the home country consequent on the reduction of exportation; or, if it appear too bold a use of the *a priori* method to apply it to a strong case of Increasing Returns, at least the method may be applied to the milder case of secondary Supply-curve in which the outward form at least of a primary curve such as OPG is still retained.

Altogether there seems to be a considerable probability that the third postulate may be taken for granted; and accordingly that the theory holds good.

Such being the proof of the theory, what is its application? May we not answer in the words employed by Hume with reference to his theory of Interest? "Besides that the speculation is curious, it may frequently be of use in the conduct of public affairs. At least, it must be owned that nothing can be of more use than to improve by practice the method of reasoning on these subjects, which of all others are the most important, though they are commonly treated in the loosest and most careless manner." It is the latter sort of advantage—light rather than fruit—which I principally expect from Mr. Bickerdike's speculations. He has improved by practice a method of reasoning which may be brought to bear on other questions of more direct practical importance.

The direct "use in the conduct of public affairs," to which the theory is applicable, is "making foreign countries contribute something to its [the home country's] revenue," in Mill's phrase, and more generally to its Real Income, in excess of the gain which it would enjoy under a free trade. The feasibility of such projects is considered by Dr. Marshall in his judicial observations

respecting an Export Duty on Coal.¹ His careful statement of the *pros* and *contras*, alike in the case of export and import duties, dispenses me from the necessity of treating the subject generally. I need dwell only on those considerations which are special to Mr. Bickerdike's particular scheme for taxing the foreigner.

Mr. Bickerdike's plan has the advantage of dispensing with a detailed inquiry into the conditions of demand and supply. It really looks as if it were sufficient for his purpose that the relevant elasticities of demand and supply should not be of an extreme character—extremely small for the home country or extremely great for the foreigner; that there should be nothing peculiar and exceptional in the conditions of the trade. A *datum* of this sort, the ascertainment of which cannot be considered chimerical, seems, in the light of Mr. Bickerdike's theory and experiments, to justify the imposition of a small customs duties, say from $2\frac{1}{2}$ to 5 per cent., on a great number of articles. The objection that industry is thereby directed into less advantageous channels is not admissible; for by the theory the disadvantage in the way of production is overbalanced by the gain accruing to the Treasury. Abstracting the practical difficulties to which we are coming, on the platform of pure theory the Free trader must abandon his hectoring tone with respect to the defence of a Protectionist tax on the ground that it is a little one.²

It may be added that Protection, in losing its evil, would not lose its attractiveness. It could not be objected to this, as to many ingenious schemes hatched by students, that it could never be started. It would be only too easy to start this scheme.

These considerable advantages are counterbalanced by weighty objections. At best, and even in the abstract, the theory is but probable. In the computation of the chances in its favour there is largely involved what I have called *a priori*, or unverified, probability. But it is yet to be seen how far such probabilities—though countenanced by their use in the treatment of physical observations—are available in the conduct of human affairs. It may be suggested that the evidence is good enough to afford a regulative idea for the adjustment of indispensable taxation, but not good enough to justify the imposition of taxes for the express purpose of putting the foreigner under contribution. The distinction might be illustrated by a comparison with the principle of equal (or least) sacrifice, which is generally considered good enough to regulate the distribution of indispensable taxation,

¹ In a letter to the *Times* published April 22, 1901; reprinted in the *Economic Journal*, Vol. XI. p. 265.

² The tone of Robert Lowe, for instance, in the speech referred to above, p. 397.

while only Socialists propose increasing taxation expressly for the purpose of carrying out that utilitarian principle. Upon this view Mr. Bickerdike's theory might have that limited application which Professor Bastable allows to the presumption in favour of small taxes in general which I have based on the theory of small quantities.¹ There are in practice much more important considerations; still, the presumption is worth mentioning.

Of course, the general presumption may be overridden by positive evidence that, with reference to any proposed customs duty, the contribution of the foreigner is likely to be smaller than the theory requires.² There is some ground for believing that the conditions of British trade are particularly unfavourable for levying a contribution on foreigners.

Among practical considerations particularly relevant to the scheme before us is the danger of retaliation. The novelty in the scheme, that it may be practised by a country which has no special advantages, nothing like a "monopoly" as producer or consumer, no doubt increases the home country's power of hitting the foreigner. But it equally increases the power of the foreigner to hit back. Practised on the grounds peculiar to this theory, the scheme of taxing the foreigner is peculiarly open to Mill's objection: "it would be a means which it would seldom be advisable to adopt, being so easily counteracted by a precisely similar proceeding on the other side."³ The mathematical method shows rather more clearly than appears in Mill's discussion, that, short of the case in which "the trade and its advantage would cease entirely,"⁴ bilateral taxation would damage both parties.

Again, the system of many small taxes minimises, indeed, the loss incident to changes in the course of industry; but it does not minimise the amount of trade-hampering constraint that taxation, high or low, involves. On the contrary, that sort of *friction* in proportion to the proceeds of taxation is likely to be greater the more numerous the taxes.

Thus the direct use of the theory is likely to be small. But it is to be feared that its abuse will be considerable. It affords to unscrupulous advocates of vulgar Protection a peculiarly specious pretext for introducing the thin edge of the fiscal wedge. Mr. Bickerdike may be compared to a scientist who, by a new

¹ *Public Finance*, ed. 3, p. 353 referring to *ECONOMIC JOURNAL*, Vol. VII. p. 568.

² *Cp.* above, p. 402.

³ J. S. Mill, *Political Economy*, book v., ch. iv. § 6, ante-penultimate paragraph.

⁴ *Loc. cit.* penultimate paragraph.

analysis, has discovered that strychnine may be administered in small doses with prospect of advantage in one or two more cases than was previously known; the result of this discovery may be to render the drug more easily procurable by those whose intention, or at least whose practice, is not medicinal. It was thus that the "drama of poison" perpetrated in the reign of Louis XIV. was initiated by one whose baleful receipt was obtained from Glaser, a chemist of eminence, the discoverer of a new substance.¹ Let us admire the skill of the analyst, but label the subject of his investigation POISON.

F. Y. EDGEWORTH

¹ Funck-Brontano, *Le Drame des Poisons*.

REVIEWS

A Critical Examination of Socialism. By W. H. MALLOCK.
(London : John Murray. Pp. xxiv+302. Price 6s.)

It is as easy to criticise a socialism which exists only in programmes as to criticise an individualism which flourishes all around us. Assume completely altruistic men, in the one case, and completely economic men in the other, and place them in "stationary states," and the result is a grotesque caricature of human society as we know it. Stationary states are useful hypotheses to get away from, but ghastly places to dwell in. Mr. Mallock urges, in another context, that life is not made up of isolated moments or periods. "It is a continuous process, in which each moment is affected by the moments that have gone before and by the prospective character of the moments that are to come after" (p. 133). There is no reason to believe that this will cease to be the case in any approximation to the socialist ideal. The more thoughtful socialists never expect their socialism to arrive, but to be always arriving until its triumphs shall have begotten some other, and, they hope, some better social ideal. Nor do they, for a similar reason, share Mr. Mallock's opinion that socialist principles have not modified the general productive process "in any particular whatsoever" (p. 4). Compulsory elementary education, for instance, has certainly done this. Granting—what is disputable—that it has not cheapened an ocean liner, this is not the sole test of advancing civilisation.

Mr. Mallock's method is no better than that of the critics he assails, though he possesses more literary skill than many propagandists, and can clothe his arguments in the impressive terminology of the logicians. His admirable fairness to his opponents makes his attack all the more plausible, and this volume will not only confirm the comfortable in their comfort, but will decide some who are not quite sure whether this is the best of all

possible industrial worlds. But the book irritates the student by its exaggerated assumptions, and depresses the moralist by its implied ideal of society.

Over the familiar criticism of Marx we need not linger. What is characteristic of the book is its emphasis on the part played by directive ability in modern production. Ability is defined as the faculty which directs labour by means of its control of wage-capital. To ability must be attributed everything which would not be produced if its operation were hampered or suspended. Hence if we compare the wealth of to-day with that of primitive societies, or with, say, England before 1800, we shall see that the reward now received by labour is far in excess of what labour itself produces. This may be justified on moral grounds by the labourers, and on practical grounds by the directors. There is a tacit bargain between the two classes. The multitude could support itself alone after a fashion, but has surrendered its autonomy, and for this acquiescence in the guidance of others it should be compensated. It is to the interest of the directors, on the other hand, to concede so much to the multitude as will ensure social stability. The amount of the produce so conceded must be sufficiently large to be appreciated by the many and sufficiently small to satisfy the ambitions of the able for themselves and for their families. This ideal equilibrium is what socialists are ever preventing by awakening in the crowd romantic wishes for the impossible. To mix one of Mr. Mallock's metaphors, people are demanding electric light who should be satisfied with candles. The result will be to set fire to the bed-curtains! In other words, if the multitude is not careful, "directive ability" will sulk and turn itself into "mere labour." This is what would happen if socialism were realised; what will happen, indeed, in proportion as the socialist goal is approached. Suppose socialism established, it would be faced with two insurmountable difficulties: first, it would have to discover the able men; and, secondly, it would have to induce them to exercise their exceptional powers. But the motive which moves the great directors is money-power, and this, under socialism, would have ceased to act. Hence the national dividend would shrivel up; the labourers would lapse, if not into nasty, mean, and brutish barbarism, at least into the "three acre and a cow" state.

This, we believe, is not an unfair summary of the main argument. Further chapters discuss the legitimacy of interest and attempts to equalise opportunity.

All economists, and most socialists to-day, will readily endorse much of what Mr. Mallock claims for the men of ability, and others, besides General Walker (who is referred to), have emphasised the great importance of the organising function. But the deserts of the men of wealth (who apparently are synonymous with the men of ability) are exaggerated by omitting many minus quantities from the sum, *e.g.*, the wealth due to the private ownership of natural resources, to tariffs and monopolies, and to accumulation by inheritance; the economic loss due to the piling up of armaments and the making of wars, which must be debited to the directors, for, by hypothesis, labourers can have no brains for such high exploits. Much of the "ability" engaged in these spheres is not so much that which "directs the labour of others" as that which, in the past, has manipulated law and public opinion to its own ends, and has thereby deeply influenced the amount and the distribution of the dividend.¹ It is a further exaggeration to assume that private capitalism works "with absolute accuracy"; that the present system is always found at maximum efficiency; and that the alternative to disallowing rights of inheritance is "to be turned into the street, beggars" (pp. 71, 77, 244). The contrast between demand as democratic and supply as oligarchic is greatly forced (p. 143).² If the labouring majority can never be free in their technical capacity as producers, their freedom as consumers is also strictly limited. It is true they cannot aspire to preside over Lipton's; it is equally true that they cannot have yachts on the Clyde. They are about as "free" in the one case as in the other. Another relevant point overlooked is the fact that much of the capital controlled by the able is the accumulated savings of the mere labourers. Further, it is conceivable that a temporary diminution in the national dividend might permanently increase the sources of the dividend. As Dr. Marshall once urged in this JOURNAL, it might be a good business investment to spend fifty million pounds on the poor in a single year.

How, under socialism, the master spirits of industry would

¹ Despite the author's definitions it is not always easy to say who are included among the deserving able, and whether the term is ever to have any moral connotation and if so of what sort. The picture shadowed forth is that of a world given up to economic production, controlled by a dozen master minds "simultaneously affecting the hands" of everybody else. It is not clear whether we are to count only the few at the top, or whether the intermediate grades of ability—inventors, scientists, teachers, and subordinate officials—are included when the product is divided between "ability" and "labour." Similarly "justice" is often appealed to, in an empirical way, but is not defined, nor is the author's conception of what constitutes social progress positively stated.

behave we do not know. Much, we imagine, would depend on their (socialist) wives! There are weighty arguments for and against Mr. Mallock. His eye does not easily discover altruistic motives anywhere. Able men are not even now solely swayed by material or narrow ends, and in the socialist State, which is postulated, the standards of power will inevitably have been greatly revised, otherwise it could never have been reached. It is illegitimate to argue from the present to the future, and in the process change everybody and everything but the able men. Socialists believe, rightly or wrongly, that the spirit of gain will give way to the spirit of service at an accelerating rate as their ideal is approached, and that what is now regarded as quixotic philanthropy will then become the normal practice. Mr. Mallock lets paradox run away with his usual fairness when he charges socialists with wishing to base the morality of the many on the desire for dollars, and of the few on contempt for them. The abiding strength of the socialist movement lies in its ethical enthusiasm; in its impatience with the existing confusion of social values and the waste and degradation of life which results; in its desire to develop human personality to the full. But Mr. Mallock does not allow such considerations to intrude. They are not "practical." Things were never so firmly in the saddle as in these pages. In Mr. Mallock's world (except quite incidentally and incompetently) there are no citizens; there are only the drivers and the driven (p. 55). It is a world with a nursery at one end, a cemetery at the other, a coal-pit in the middle, and brooding over all the nightmare that at any moment the winding engine may stop and the driver refuse to pull the lever ever more. But we must not be unfair. This is not a work of constructive suggestion but of negative criticism. Mr. Mallock has his remedies (for they are several) up his sleeve. He lets one peep out in the last page, and its countenance is astonishingly aggressive. "It cannot be doubted that if the sums now spent on the construction and maintenance of insanitary slums and alleys were employed in a scientific manner. . . ." But who were the men of extraordinary ability who "directed" West Ham and the East End of Glasgow? And how dare we interfere with them?

Economists will not find much that is new in the main drift of the book, but it is to be strongly recommended to those socialists who are in the habit of belittling society's debt to its supermen.

THOMAS JONES

Socialists at Work. By ROBERT HUNTER. (New York: The Macmillan Co. 1908. Pp. 374.)

As the title implies, this book is primarily a study of Socialism as an agitation, not as a social philosophy. Incidentally, much is said of its economic criticism of industrial societies, but the author is chiefly concerned with the international organisation of the movement, its parliamentary tactics, and its leading personalities. Judged from this standpoint, it is an admirable work written with insight and sympathy.

The socialist and labour parties of Germany, Italy, France, Belgium, and Britain are described in a vivid fashion by one who has not only read about them, but has moved among them. Their development is traced, through sectarian strife within and Government repression without, to their present highly organised and influential position. There is an American story told of a chameleon which was placed on a tartan plaid, and in trying to adjust itself to all colours at once it died of nervous exhaustion. One might have expected some similar fate to befall Socialism in fitting itself to the idiosyncrasies of nations. But when a thousand delegates met at Stuttgart and heard speeches from a dozen platforms in half a dozen languages, "although we could not always understand the words, we knew their meaning and were glad." Through all the divergences due to national characteristics one discerns certain parallel tendencies everywhere. The cleavage between Marxists and Revisionists is personified not only in Kautsky and Bernstein in Germany, but in Guesde and Jaurès in France, in Turati and Labriola in Italy, as in Webb and Hyndman with us. Mr. Hunter makes out a good case against the charge of sterility so often hurled at the Social Democrats. Capitalism developed late in Germany and, as Sombart has pointed out, the effective protest against exploitation followed swiftly at its heels. Bismarck, in the language of his Conservative opponents, determined to cast out devils by the prince of the devils. His policy of exterminating the Socialists by imprisonment, on the one hand, and by granting reforms, on the other, neither exterminated nor satisfied them. The last thirty years have witnessed alike an enormous growth in the ranks of social democracy and a very real progress in bettering the conditions of the poor. But Bebel still confronts Von Bülow like an awful conscience. "Under this unfriendly and relentless eye the parties in power do not dare to give franchises, grants, and special privileges to private interests. Graft is almost un-

known. No evil escapes the Socialists; no reform satisfies them." Further widespread tendencies are the elaboration of an international industrial code and the permeation of the trade unions with socialistic ideals. These ideals are no doubt theoretically supported by a view of capitalism which, if applied, would revolutionise society, but it is significant that growing emphasis is laid in all Socialist parties on ignorance, alcoholism and war as enemies to be fought, and finer opportunities for women and children as rights to be won. Significant, too, is the absence of any reference to the Church in these pages.

The book contains a number of illustrations, chiefly of prominent leaders. Two reproductions of Meunier's sculptures come out very badly. This is regrettable, for they deserve to be widely known. When will our trade unionists follow the example of the Genoese dockers and purchase copies of his works for their institutes and clubrooms?

The book as a whole is a salutary corrective of insular and parochial views of the Socialist movement, and when all allowance has been made for the author's inclination to find too many things and persons tremendous and amazing, there remains very much to encourage all friends of intelligent and organised discontent.

THOMAS JONES

Low Wages and No Wages. An Essay on the Economic Causes of Poverty, Unemployment, and Bad Trade. By OSWALD ST. CLAIR. (London: Sonnenschein and Co. Pp. 240. 2s. 6d. net.)

THE orthodox ways of dealing (on paper) with the problem of unemployment are to say there is no problem, or that it is a very little one, or that it is very obscure and is engaging our attention. The third is the most comfortable as it commits one to nothing. Mr. St. Clair, on the other hand, has a fourth way. He propounds a solution. There is too much saving and too little spending. Readers will recognise here the doctrine of under-consumption developed by Moffatt, J. M. Robertson, and J. A. Hobson, and the criticisms applicable to these writers apply equally to Mr. St. Clair's little book. He has worked out the argument with skill and with many an apt illustration. But we fear it will have to be done all over again with more regard to neglected factors in the problem. At times it would seem just as true to call the doctrine one of under-production. At other times

it seems a plea for abolishing the round-about method of production, and an invitation to the nation "to go on the spree"—if such a phrase may escape the editor of these sober pages. "Let us . . . suppose" that because of "a general impression that the world was coming to an end, everyone did, as a matter of fact, desire to spend his income as fast as he received it, just as the working man does now. . . . But this assumption has only been adopted for the sake of simplicity. The case would be different in the nearest approach to these ideal or imaginary conditions which we can suppose capable of being realised" (pp. 140-145). While urging that producing power is in excess the author does not distinguish in sufficient detail the varying influence on unemployment of different sorts of productive agents. Are bakeries in excess to-day in the same sense as steel-works? Again, why has the rate of interest not fallen to zero? And a hundred other questions are suggestions themselves. The by-products of the theory seem more important than the main doctrine. It brings out strongly the misdirection of spending and the misdirection of capital due, in part at least, to a lop-sided distribution of wealth, and recalls Dr. Marshall's famous sentence about the hundred millions spent by the working classes, and the four hundred millions spent by the rest of the population "in ways that do little or nothing to make life nobler or truly happier." A more equal distribution of wealth would react on the application of productive energy in wholesome ways, but we fail to see that it alone would necessarily get rid of cyclical unemployment. Manufacturers would still compete to supply a speculative demand, and the competitive system is one of trial and error. Mr. St. Clair is justified in hinting (p. 127) that economists face these difficulties and pass them by. Could not some of the tireless energy spent by leading economists contending "on the margin" be devoted to explain trade depressions for the benefit of minor economists, puzzled statesmen, and, incidentally, the unemployed themselves?

THOMAS JONES

The Evil of the Millionaire. By FRANCIS MINTON. (Sv an Sonnenschein. Pp. x+203. Price 3s. 6d. net.)

Inspired Millionaires. By G. S. LEE (Northampton, Mass: Mount Tom Press. Pp. 308. Price \$1.25.)

THE Rector of Cottingham sets out to prove that the error of distribution (as Mr. Money has called it) is responsible for

glutted markets, stagnant trade, and resulting poverty. He does not prove his point at all. He finds a misconception in "the belief that the rich do not spend all their property upon personal gratification, but devote the great bulk of it to productive purposes, through the agency of their bankers, &c., and so benefit society"; but the only part of this belief which he attacks is the assumption that the rich owners, as such, deserve any special credit for the productive uses to which their surplus wealth is inevitably put. That it is used productively he does not deny; nor does he, like Mr. Hobson, attempt to show that this use is excessive and leads to over-capitalisation and so to gluts.

In the course of his argument he re-defines economic terms with rather exasperating results. Capital is all property in use for trade purposes; this is found to mean that all income is capital if it is ever exchanged for anything else. Thus all wages are capital which the labourer receives and exchanges for other capital. It is difficult to see that "the fog enveloping capital" is removed in this way. His general conclusion is that the right of inheritance and the idle ownership of big incomes should be checked—perhaps by increased death duties and progressive income tax. This may be sensible advice; we may agree, too, that higher wages and juster distribution would increase production by increasing the efficiency of labourers. But the function of the working millionaire or rich man, and the function of the man who collects property and places it at the disposal of producers, remain to be considered.

Mr. Lee, in his "Inspired Millionaires," follows a very different line of argument. As an American, he realises that the industrial system now consists of big machines and soulless men, directed by equally soulless millionaires. The problem—How to get souls into the men who work the machines—is only to be solved by getting inspired managers. The hope of the future lies in "socialised" millionaires who will make their dollars, not by destroying men's souls, but by restoring them, and will use their wealth, not in the vulgar philanthropy of throwing down rows of libraries and art galleries, but in re-creating man's power to enjoy art and work and life. The book is clever, provoking, and very suggestive. Mr. Lee's frank idealism is of a rare sort; he does not seek his ideals in a kingdom of heaven totally separated from the dollar-making world, but in that world itself as it ought to be.

Political Socialism: A Remonstrance. Edited by MARK H. JUDGE. (London : P. S. King & Son, 1908. Pp. 187.)

THIS is a collection of papers by members of the British Constitution Association, published in a popular form. The volume, as its sub-title implies, is an attack, from many points of view, on political socialism, and the names of its contributors sufficiently suggest its tone. The presidential addresses of Lord Balfour of Burleigh and Lord Hugh Cecil are eloquent dissertations on the theme of the Association's watch-words, "personal liberty" and "personal responsibility." Of the less general papers the most interesting are perhaps those of the Rev. P. S. G. Probert on unemployment and of Dr. Sibley on secondary education. The former writes with all the force of his experience as guardian against relief works, pleading for the co-ordination of charitable societies and recourse to the poor law, according to the recent successful practice of his union at Fulham. He does not, however, make any allusion to the encouragement of insurance against unemployment, which is often suggested as a part of such a policy. Dr. Sibley, from the point of view of the Private Schools Association, denounces the nationalisation of secondary education and the uniformity of type which must, in his opinion, be the result of transforming the grammar schools and crushing private ventures. Some recent statistics are given in illustration of this. Lord Avebury expounds once more his facts and arguments against municipal or national trading. Sir William Chance has a paper on the alternative to old age pensions, and Sir Arthur Clay on the probable and the realised effects of the State-feeding of children.

Some of these papers seem likely, at present, to be of more historical interest than practical value, owing to the development of affairs since they were written. The attitude of the individualist, moreover, unless he indulges in rhetorical effusions on liberty and personal dignity, is apt to be so negative as to appear less immediately attractive than that of the socialist enthusiast. It is possible, therefore, that the British Constitution Association will be a more effective antagonist of "popular" socialist publications when it has developed the constructive side of its programme. In any case, dispassionate—and accessible—criticism by experts must have its value in guiding public opinion on legislative experiments in socialism.

C. V. BUTLER

The Socialist Movement in England. By BROUGHAM VILLIERS.
(London and Leipsic: T. Fisher Unwin, 1908. Pp. x.,
340.)

ENGLISH socialism has reached a point in its development at which it fully deserves a historian, and Mr. Brougham Villiers has given an interesting description of its growth and present condition, written, apparently, not for the expert, but for the perplexed observer and for the less instructed supporter of the movement. His account is frankly partisan, being the attempt of a moderate socialist to sketch the historic background of his aims and beliefs. There is, however, always a place for partisan history, and the author's prepossessions are seldom allowed to distort his statement of facts.

The theme of the book is, we understand, the interaction, past, present, and future of social ideals and practice or, as it is here summarised, of "theoretic and organic socialism." Accordingly there is a sketch of successive forms of common life and activity from the primitive communism of the savage tribe and the corporate life of the mediæval village community down to the concerns of municipalities and government departments at the present day. It is through the cumulative experience of these, rather than through the preaching of idealists, that socialism has advanced in practical England. (Some of the historical statements as to this early period are open to dispute in matters of detail, but the author expressly disclaims original authority in the material for this section of his work.) "Theoretic socialism becomes widespread when there is much organic socialism to suggest it; it is rare and powerless when individualism is rampant. . . . The social theorist is probably only effective when he knows how to inspire and use the organic socialism round him."

After the purely historical retrospect of the first chapters the author approaches the genesis of the socialist parties of the 'eighties and 'nineties, and we feel at once that he has come to a closer grip with his subject. Not least interesting is his account of the early days of the Independent Labour Party, and of the training of the young I.L.P. member, supplemented by his experience in co-operation and trade union work. Increasing numbers of such men are working out in the district and municipal councils on which they serve, the lessons of administration learnt in their own organisations. Their business capacity fully justifies their position, and their beliefs will, the author thinks,

gradually permeate local government with a practical socialism, sanctioned rather by its actual working than by political philosophy. "The Labour Party of to-day is the fruit of an alliance between the moral enthusiasm of the socialist and the practical strength of the trade unionist. In that alliance lies the hope of British socialism."

The last portion of the book is devoted to a series of essays on the prospective work of socialism in England. The author is comparatively moderate in his views as to the near future; he does not contemplate the complete extinction of the private capitalist, and he looks forward to the development of home industries and of the "self-employing proletariat" (*i.e.*, the pedlar, &c.). His solution of the temperance question is an excellent commentary on the present Licensing Bill. He has done well in insisting on the future development of distinctive national types of socialism, and he makes a fair defence of the socialist conception of freedom. But his more extensive forecasts, *e.g.*, as to the emancipation of women, and the supplies of free bread and milk to all the citizens of the perfect municipality of the future, are, with all allowances for his party's point of view, rather disproportionate in length to the earlier historical and descriptive chapters.

As a whole, however, the book, without being profound, is interesting and suggestive. And it is noteworthy for an absence of theorising and for the support of a policy of opportunism, which are marked features of the newer works on socialism. "The fewer theories for or against the merits of the national state as an institution the socialist holds the more fitted he will be to welcome any and every advance made either by the centralised state itself, by the local governing body, by the trade union, the co-operative store, or societies like the Housing Reform Association to build up the complex life of the Co-operative Commonwealth." This rather short-sighted view of political problems has its advantages, but it would have surprised the older socialist writers as much as it earns the disapproval of modern extremists.

C. V. BUTLER

The Small Holding. By F. E. GREEN. (John Lane Company.)

THE virtue of this little book undoubtedly is that it is written by a small holder with a faculty for writing: a faculty certainly not common among small holders. If only small holders could more frequently transmit the successful methods of working their land into cold print so that he who runs may read, untold service.

would be rendered to the country. But their inclination generally is to keep their success as much as possible from the public gaze, and if they tell any friend, who has gained their confidence, how much they have realised for their crops or their stock, they are sure to add in the next breath: "Be sure and don't tell anyone, or, at any rate, don't mention our names when you are quoting any figures we have supplied you with."

Mr. Green, it appears, "is struggling to make a living from twenty-five acres in Surrey," so that he speaks from actual experience, and a very interesting experience it is. In the first place, he had to purchase his holding, and, consequently, to lock up a considerable amount of capital which he would have found extremely useful to farm with. It is not surprising, therefore, to find that Mr. Green is against purchase from experience and in favour of renting from a public authority at a fair rent with fixity of tenure. This confirms the almost universal opinion of those of us who know the wants of the small holders, and is another nail in the coffin of "Peasant Proprietorship" as advocated by our friend the Right Hon. Jesse Collings.

Mr. Green gives some practical details as to the creation of a homestead and a series of plans of suitable buildings. For this equipment he puts down the sum of £325, divided as to £250 for the house and £75 for buildings. This division does not appear to be in the best proportion. If only £325 is to be spent it means devoting too much to the house and too little to the buildings. An excellent house can now be built for £200, and, certainly, £125 would not be too much for buildings on a twenty-five-acre holding. But here, of course, it all depends upon the class of holding. Mr. Green's holding is practically all grass. The vast majority of holdings have a greater proportion of arable than grass land, and consequently buildings must be erected accordingly. On the Crown Lands, for instance, where twenty-five-acre holdings have been recently created, twenty of which are arable, the houses have cost £225 and the buildings £125, *i.e.*, £350 per holding.

Still, Mr. Green has several practical suggestions to offer to those who have to erect their own buildings and equipment, not least among them being a very simple and inexpensive contrivance for gateways, namely, that of "erecting four thin ash posts, and by nailing crossbars on each pair of posts so that you can slide a couple of rails along whenever you want to let anything pass."

* When he comes to deal with stock, Mr. Green has again succeeded by experience in evolving some valuable suggestions. He

has discovered that it pays better to sell milk than to make butter, under present conditions ; that cows are shut up too much ; that if you want good cows, *i.e.*, good milkers, it is wise to rear your own stock and select from them ; indeed, that your motto should be : "Buy as little as possible." Further, Mr. Green has discovered that at present the small holder does not make full use of his liquid manures.

The cost of calf-rearing and the profits on cow-keeping are carefully set out, and here again the writer has found what the small holders in Lincolnshire demonstrated years ago, that there is more profit on rearing young stock than in exclusively devoting the holding to cow-keeping, and that the amount of Sunday work is much reduced when it is only a question of foddering stock and not also having to milk night and morning.

On pigs, Mr. Green also descants with considerable knowledge. Nothing on a farm varies so much in price, from time to time, as pigs, but a small holder must have pigs, and if he always rears them he gets the "ups" as well as the "downs" of the market. Authenticated instances are on record amongst many small holders of one breeding sow bringing in during the course of several seasons quite a little fortune.

On the rearing of poultry Mr. Green gives a decided preference to turkeys, and he advances good reasons for the conclusion he has come to on this important part of a small holder's operations. At the present time I should say not one per cent. of small holders rear turkeys. This is left to the larger farmers, turkeys being more difficult to rear in their early days and requiring more costly food. But Mr. Green shows that if turkeys are properly kept they are in the end more profitable, and the small holder's wife should be urged to turn her attention more to this subject. Mr. Green is against ducks, all save the Indian runner breed.

There is a long chapter on the advantages of bee-keeping, especially as an industry which can be carried on with success by intelligent boys and girls. Here again is something for the small holder to learn. The percentage of bee-keepers amongst small holders is not large.

This is how Mr. Green suggests a twenty-five-acre grass holding might wisely be stocked :—

Five cows at £16 apiece	...	...	...	£80
Breeding sow	...	...	...	5
Two hives of bees	...	...	...	3
Turkeys	...	...	...	5

£93

Coming to arable land—which, in Mr. Green's case, is only three acres—his several suggestions as to its cultivation are equally sound; fruit of various sorts, both top and bottom, the value of damsons in hedgerows, close enough together to act as wind screens, &c. No doubt the small holder must pay more and more attention in the future to such important matters of detail. The growth of Lucerne, which can be mowed four or five times a season and the plant of which will last for years if kept free from weeds, has not escaped Mr. Green's attention. Indeed, all round, Mr. Green has got the hang of things so far as the cultivation of the soil is concerned and the rearing of live stock. The markets are his great difficulty, and here again he has sensible things to say, and says them very well, on the necessity for further co-operation. He is frankly disillusioned as to Jersey being the small holders' paradise, and says, after a visit to this island: "The life of the Jersey farmer I soon discovered is one of unremitting toil, spent daily in the philanthropic work of making fortunes for salesmen, dividends for railway companies, and easy incomes for the landlords. Rents seem to average about £10 per acre, and, in spite of the fertility of the soil and the geniality of Nature—shown in the immunity from frosts and the constant presence of the ripening sun, and the unlimited abundance of manure cast upon the shores in the form of seaweed—in spite of the growth of two crops in the time that it takes us to grow one crop, it is but a bare living that the cultivator of the soil gets after the landlord, the railway companies, and the salesmen have stripped him of his 'surplus wealth.'"

So that in addition to co-operation Mr. Green has discovered that the question of rent plays no unimportant part in a small holder's career. Surely, therefore, we are encouraged to go on with the policy set up in the Small Holdings Act of 1908 of the public authority buying land at its fair agricultural value and letting it to tenants at a fair agricultural rent.

R. WINFREY

Luxury and the Waste of Life. By E. J. Urwick. Pp. 233. (London: Dent.) 1908.

In this book Professor Urwick sets out to find an answer, for the use rather of the general reader than the economist, to the questions: "How far do moral considerations enter into the subject of our expenditure, and what are the economic and social effects of luxury?"

A fresh treatment of the subject is justified, so the author pleads, in part by the strange persistence of the "fallacy of spending," the notion that luxury is good for trade, and in part by the absence of any satisfactory ethic of consumption. With the purpose and standpoint of the book one must needs be in complete sympathy. A clear discussion of the ethical and economic consequences of the present consumption of wealth would solve many popular difficulties and form a needed contribution to social studies, even if it could result in no very precise canons of conduct. Unfortunately in this case one cannot feel very sure that the discussion is sufficiently clear or complete. Nevertheless the book should prove suggestive and stimulating, and might well serve as the starting point for a more thorough treatment of the problem.

It seems to us that Professor Urwick has needlessly hampered himself by the adoption at the outset of a definition of luxury that is not only contrary to general usage, but is both arbitrary and unsound from an ethical point of view. The common definition of the moralist—"expenditure exceeding reasonable limits"—is rejected as too vague. The economist's definition is given in the words of Adam Smith—anything over and above necessities together with a minimum of decencies—and this again is held to be too narrow and contrary to public usage. Instead, Professor Urwick seeks for a definition which should be perfectly precise, holding good for all the members of the community. This he finds in the adoption of the average income per head of the country as the standard. All expenditure beyond this falls within the category of luxuries.

Such a definition involves the conclusion that £10 spent by a dock labourer, earning £40 a year, on beer is not a luxury, while £10 spent on education by a mechanic earning £50 a year is a luxury. Consequently all the wasteful consumption of the poor is ruled out of consideration, and Professor Urwick confines himself to the study of the supra-average consumption of the rich.

But a use which lands us in such judgments as the above cannot form the basis for an "ethic of consumption." Professor Urwick himself admits this, and speaks of the definition as non-moral but purely economic. The choice of the standard is suggested, as Professor Urwick points out later, by reflection upon the law of diminishing utility of wealth. All consumption represented by the excess of expenditure above the average brings with it less satisfaction than is lost to the man who confines his expen-

diture below the average. But is it not a pity to adopt an economic definition of a term normally ethical in reference which turns upon the measurement of utility used in such a sense as to be incompatible with the author's own ethical standpoint? To do so is to create unnecessarily an opposition between the ethical and economic judgments. As a matter of fact, Professor Urwick finds a difficulty in keeping to his definition, and frequently uses the term luxury in its accepted though vague sense.

Professor Urwick then goes on to discuss the effect of consumption by the rich on the general welfare. Two forms of waste are recognised. First, any expenditure that is productive of less satisfaction than could be obtained by an equivalent expenditure by someone else. The development of this part of the subject is, as has been said, cramped by the definition laid down at the outset. The effect, hygienic, aesthetic, politic, of the existence in a community of a comparatively wealthy and leisured class is not adequately considered as it should be in determining an ethic of consumption. There is no doubt great difficulty in deciding upon any measure of satisfaction, and the adoption of the money measure combined with the principle of diminishing utility at least gives a precise rule of conduct if we are content to abide by it. But this Professor Urwick is not. He holds that it would be unreasonable to press the logical issue that all persons should cut down their expenditure to the level of the average. He goes no further than to ask for a considerable increase in simplicity of life from those with large incomes. How may this excess of income be best utilised? Not by indefinitely swelling the stock of capital for investment, since this will diminish the quantity of effective demand for goods and reduce the volume of employment. Here Professor Urwick subscribes in part at least to the doctrine of those who preach against the "fallacy of saving." But he fails, as it seems to us, to make clear the true ground of objection to this process of saving. If we could suppose the volume of saving at all large relative to the labour employed, there could be no more certain way of raising wages than by every rich man cutting down his private consumption and adding to the stock of capital for investment.

The picture of any lack of effective demand for goods would be chimerical so long as the wage-earning population remained large relative to the whole, and so long as there were opportunities for improved methods of production of the goods consumed by them. But if we suppose only a small section of the

economic world so to act—for example, England—the capital accumulated would be small relative to the world demand for it, and the effect on English wages could never be very great.

Therefore Professor Urwick's advice has more to be said for it: that rich men wishing to help their own neighbourhood should devote their spare wealth to the provision of collective utilities or to the provision of such large common services as those of medical aid.

The second form of waste specially discussed is that rendered possible by the presence of a number of idle rich maintained on unearned income. Such persons are real "wasters," since they consume without producing. They are, in fact, far more harmful to the community than the idle poor, by reason of their power to consume a larger share of the common stock.

But Professor Urwick's method of formulating this charge suggests certain criticisms. For he says that persons are "wasters" who are enabled to purchase goods with money that has not been earned "as a direct payment for their labour, present or past, and *measures the value of it to others.*" We may note, by the way, the corollary that if "waster" buys from "waster," no harm is done. Gambling is not of itself a form of economic waste. But in the sentence quoted the value of the service seems to be measured by its actual market value. If this is so, surely all the income obtained in a free country, except that obtained by fraud, gift, or gambling, is justified by the test laid down? The answer is suggested by the use of the term "labour." Professor Urwick names two factors of production, nature power and labour power, as combining to yield "life-power."

The use of capital is thus omitted. Interest and rent are by implication condemned. "Waiting" is not admitted as a form of social service. It is not quite clear whether Professor Urwick really intends to go so far as this.

We may note in the two forms of waste here considered the old opposition between a distribution according to need and a distribution according to desert. In laying down the broad canon of conduct that persons should confine their personal expenditure to the level of average income, the object is to secure distribution according to need.

The second canon, that a person may not consume that which he has not purchased with his labour, is an effort to secure that each shall reap the whole product of his labour.

There is one way of reconciling the two: that the production

of each should be reduced to the level of the least-productive members of the community. Professor Urwick hardly gives sufficient attention to the danger of attaining this end if his first canon is enforced. He rightly assumes that the two canons are irreconcilable on purely economic grounds, and therefore affirms the ethical duty of keeping production and consumption distinct. "An oil king, a railway magnate, or company promoter may all be worth the money they make. It may still be indisputably wrong that they should spend it." With this we most heartily agree.

C. J. HAMILTON

Some Works on Population.

Population and Progress. By Montague Crackenthorpe, K.C.
(London : Chapman and Hall, 1907.)

MR. CRACKENTHORPE'S little book supplies an interesting measure of the growth of public opinion on the population question within a generation. It is mainly composed of three reprinted essays on family limitation, the first of which appeared in the *Fortnightly Review* in 1872, and the others in the same periodical in 1906 and 1907. The first, that is, was published before the prosecution of Mr. Bradlaugh and Mrs. Besant for selling the Knowlton pamphlet brought the question of prudential restraint so fully home to general knowledge that the British birth-rate has steadily fallen ever since. In his second essay Mr. Crackenthorpe tells how after the appearance of the first he was warned by friends of a probable loss of briefs resulting from his temerity. No such loss, he tells us, took place, but the warnings testified to the state of feeling in cultured circles. To-day, as he notes, no such perturbation is set up by much more pronounced utterances to the same effect. His book is in the main a clear and sound statement of the ethics of family limitation, and of the national need for it, but does not give much attention to the counter-arguments which found upon economic or sociological as distinct from *a priori* ethical pleas. Incidentally he makes quite clear the nearly universal operation of the check to the birth-rate, of which France is only the most notable illustration. A few statistical statements need revision. On p. 72 it is asserted that "in England in 1903 there were 514,628 deaths," and on p. 79 that "the birth-rate in this country is at present 450,000 annually, or over 1,200 a day : but for our infant mortality it would be 1,500 a day." What is meant is that the excess of births over deaths is 450,000, and that but for infantile mortality

it might be, 100,000 more; but this is not naturally to be understood from the figures. In point of fact the annual excess is only about 400,000. A figure seems to have been dropped, again, in the Berlin column of the table on p. 54.

The most serious objection that suggests itself to any part of Mr. Crackenthorpe's reasoning is evoked by his repeated assertion that Germany's need for colonies to which to send her surplus population is "imperative," and that, in the words of a writer whom he quotes, "Germany must either burst her bonds or acknowledge final defeat." This is indeed a quasi-argument for family limitation in Germany, but it is no part of either economic or political science. Italy, on this view, has already "acknowledged defeat," and so has Britain, which sends most of its emigrants to the United States. The terminology is irrelevant.

The Endowment of Motherhood. By Dr. M. D. Eder. (The New Age Press, 1908.)

ECONOMICALLY considered, Dr. Eder's little book is chiefly remarkable for its almost complete disregard of economic considerations. Whereas Mr. Montague Crackenthorpe justly argues that a Socialist State could less than any other afford to ignore the population question, Dr. Eder cheerfully propounds a Socialistic scheme for the State maintenance of all pregnant and nursing women, married or unmarried, each one getting in addition "some money to spend at her own sweet will," and choosing her place of residence; with a further provision of £50 per child for upbringing, and an allowance of £200 per annum to each mother or foster-mother who looks after five. The total works out at £628,000,000 per annum; and Dr. Eder pleasantly observes that "for Socialists, who are wont to think in continents, the figures are not alarming." His sense of humour is agreeably evident throughout the book, and particularly in the initial explanation: "I must work for a millennium which shall be possible in my lifetime." He recognises that his plan might possibly lead to "a huge influx of pregnant women into the country," which would have to be guarded against by "the deplorable measure of some Aliens' Act or a limitation of endowment to mothers who have been domiciled for a term of years in the country." But as regards home production his only reflection is that, since "they will not be personally much richer for each child born, but will have with increasing number of children increasing work, the

mothers would in all likelihood, when they knew the way, limit their families." Dr. Eder seems alternately to suspect that reduction in the birth-rate is largely due to disease-induced sterility in women, and to desire that prudential methods should be inculcated by the State.

The serious discussion of Dr. Eder's book is likely to be restricted to the arena of Socialist candidatures for Parliament and other governing bodies, in which connection, it is to be feared, it will furnish many welcome quotations to the opponents of Dr. Eder's political friends. Its sex-ethic is certainly of the most advanced type, and the author is at least to be credited with the courage of his exposition.

Rassenverbesserung: Malthusianismus und Neumalthusianismus.

Von. Dr. med. J. Rutgers. Einzig berechtigte Uebersetzung von Martina G. Kramers. Mit Einführung von Marie Stritt. (Dresden und Leipzig: Verlag von Heinrich Mudén, 1908.)

THE Dutch work of Dr. Rutgers is by this translation made available to the wider range of readers to which it is so well entitled. Avowedly writing for the general public and avoiding scientific terminology as far as may be, Dr. Rutgers nevertheless writes always in a scientific temper, and fully and judiciously discusses all the standing criticisms of the Neo-Malthusian case. As his title partly tells, he claims for it the objective of a betterment of the race, economic, moral, and physiological; in other words, the "elevation of the individual and of society." At the outset he warns against some of the logical pitfalls of the investigation, and guards against the assumption of some Malthusians that reckless breeding is to be regarded solely as cause, and economic distress solely as effect. "Each of the two phenomena is at once cause and effect"—as in the case of popular alcoholism. Politically he dissociates himself alike from those who would make popular imprudence a ground for refusing legislative reforms, and from those who treat the population question as irrelevant to reform problems. Capitalistic production, he observes (p. 128), exploits popular fecundity just as did feudalism and slavery, and as the nomad peoples still earlier exploited the fecundity of domesticated animals; but capitalism does not evoke the fecundity it exploits, though it is apt to contemplate it with a satisfaction of which Dr. Rutgers points out the shortsightedness. On economic issues he reasons in general as acutely and sensibly as on ethical and sentimental; and he discusses practically every aspect of the matter. After analysing the individual

and socio-ethical problems in the first and second parts of his book, he devotes a third to the racial-biological question; and in an Appendix entitled "Malthus," he briefly presents the evolution of the practical debate. The book is thus one to be studied by all who are concerned to follow the scientific development from Malthus onwards, and to learn the most competent answers to the manifold objections brought against alike the earlier and the later forms of the doctrine of family limitation.

Statistically the book is particularly instructive inasmuch as it makes abundantly clear the almost invariable sequence of lessened death-rate upon lessened birth-rate. In the light of these figures for all countries it becomes fairly clear that the tendencies are correlative, and that wherever there is hygienic progress there is prudential restraint, each encouraging the other. In the light of this demonstration some readers may be enabled to see more easily the force of Dr. Rutgers's proposition that those who say, "I am a Neo-Malthusian, therefore not a Socialist," and those who say, "I am a Socialist, therefore not a Neo-Malthusian," have alike failed to understand Neo-Malthusianism and Socialism. This freedom from partisanship is one of the great merits of the treatise. By Frau Kramers it has been rendered in remarkably neat German—a characterisation scarcely due to the introduction by Frau Stritt.

Social Democracy and Population. By Alvan A. Tenney, Ph.D., Tutor in Sociology, Columbia University. (Studies in History, Economics, and Public Law. Edited by the Faculty of Political Science of Columbia University. Vol. XXVI., No. 4.) (New York: The Macmillan Co.; London: P. S. King and Son, 1907.)

THE value of Dr. Tenney's very interesting and suggestive treatise is apt to be depreciated for some readers by his early and incautious assertion (p. 24) that "No fact in history stands out more plainly than the danger incurred by any nation which fails to increase its population with sufficient rapidity to meet other peoples on an equal footing and repel attack." On the very next leaf he notes that "India and China have held their own because of overwhelming numbers—and their conquerors were absorbed." That is to say, overwhelming numbers did not avert conquest. The balance of evidence is really in favour of the view that most conquests have been effected by minorities; and there is no clear case on record of subjection due to slowness of rate of

increase of population. Diminishing savage races are at least no oftener subdued than others; and the decline of birth-rate in imperial Roman Italy is only an aspect of a general political decadence.

At other points Dr. Tenney is more truly inductive; and his essay as a whole is very helpful to a scientific view of the problem of population control. Accepting Prof. Giddings's improved statement of Malthus's law—"In any given state of industry and the arts, population tends to increase faster than it is possible to raise the general plane of living"—Dr. Tenney assumes that "Democracy requires a rate of population increase less rapid than the rise in the standard of living." His book is on the whole biological and sociological in the general sense, giving no special attention to economic considerations; but he reaches conclusions which are of economic importance. The recent decline in the United States' birth-rate, he sums up, "if unaccompanied by undesirable qualitative changes, can only be favourable to the maintenance of that high plane of living which is essential for social democracy. This decline may indeed render the exploitation of resources less rapid, and the gain of capital smaller, but it will also render the readjustment of socially undesirable inequalities more feasible." Others of his political inferences are more questionable, as when he ascribes the size of Britain's navy to the need to protect her foreign commerce; and his apparent counsel to his countrymen to seek to be "self-sufficient economically" is open to grave political criticism. But it is noteworthy that he counsels the abandonment of tariffs in favour of the plan of "preventing the entrance of those who will depress the plane of living." On the special question of family limitation he very usefully brings out the fact, deduced from Copenhagen statistics, that while the gross fecundity in the professional class is less than in the artisan, the net fecundity is higher.

J. M. ROBERTSON

Gold Prices and Wages under the Greenback Standard. By Wesley C. Mitchell. (University of California Publications in Economics.) Pp. 627. (Berkeley: University Press, 1908.

THIS is a continuation of the author's *History of the Greenbacks*; or rather the materials for such a continuation, "the statistical apparatus of a book still to be written."

The statistical apparatus would be well worth studying for its

own sake, even if the author had not pointed out its economic significance. In dealing with prices and wages he is not content with the comparison of arithmetic means; he employs largely *medians* and *deciles*. For example, for the prices of October, 1873, compared with 1860, there are *ninety-one* percentages: as thus, in the order of magnitude,

58, 76, 78 *bis*, 85, 86, 89, 91 *bis*, 92, 241, 250, 367.

The deciles are points on this scale which divide the whole group of percentages into ten sub-groups, each comprising a number of percentages which is the tenth part of the total number, that is, 9, or rather 9.1. Thus the first decile is 92, since up to and exclusive of 92 there are nine entries—78 and 91 each occurring twice. Likewise the ninth decile is 196, since up to and exclusive of that entry there occur *eighty-one* percentages. The median is identical with the fifth decile. The graphical representation of this system consists of ten more or less parallel curves.

There can be no question as to the value of this statistical method. But before it is generally adopted its cost in labour should be counted. Is it worth all the trouble that it involves? Could nearly as valuable results be obtained with considerably less trouble? If for summary purposes an abridgment is desiderated, I suggest as a rough and ready rule the following. Find the second, fifth, and eighth decile; these determinations (with some attention to the highest and lowest figures that occur) will adequately characterise the group.¹ Thus for the prices of October, 1873, the data would be as follows:—

Lowest.	2nd decile.	Median.	8th decile.	Highest.
58	104	131	167	367

This presentation brings out the interesting circumstance that the distribution of the inflated prices is not symmetrical; the higher prices exceed the average much more than the lower prices fall short of it. The incident had been observed before, but not, I think, evidenced so fully as by Mr. Mitchell's statistics. For

¹ The constants *c* and *j* pertaining to an asymmetrical curve of error (of the kind described by Mr. Bowley in the Appendix to the second edition of his *Elements of Statistics*) may be roughly calculated from the median together with two percentiles, as shown in the paper on the methods of representing statistics contributed by Mr. Bowley and the present writer to the *Journal of the Royal Statistical Society*, June, 1902. A particularly simple construction is afforded by the 16th and 84th percentile (corresponding to the points *R*₁, *R*₂ mentioned by Mr. Bowley in the paper referred to) taken in connection with the median. But Mr. Mitchell's statistics are perhaps too violently asymmetrical to justify the use (for this purpose) of percentiles at such a distance from the central region.

the period 1860 to 1880 the average difference between the second decile and the median is 25·6 (as appears from Mr. Mitchell's Table 5), while the average difference between the median and the eighth decile is 33. The differences between the higher and the lower parts of the scale are much greater.

There is a propriety in fixing attention upon the central portion of the statistical group. For that is the portion most amenable to general law. It is there that we may look for the fulfilment of the law of error—the asymmetrical law, which is a generalisation of the simpler law expounded by Mr. Galton. We may expect to find the law when we have reason to believe that there exist the conditions of its genesis—the sporadic action of independent agencies, a chaos of elements

“Confusedly in their pregnant causes mixed.”

Now with regard to price-variations, Mr. Mitchell's statistics afford evidence of this fortuitous distribution. His Table 14, showing the numerical order of the percentages representing price-variations for some ninety commodities at the epoch 1865 and 1879 respectively, shows in regard to the character of the commodities thus arranged, the sort of disorder which is favourable to the application of Probabilities. “Unlike commodities are often side by side, and related commodities are often widely separated.” In the period under observation forty-two commodities moved from the lower half of the table to the upper half, or the other way.

The statistics of wages do not, I think, afford such perfect data for the application of the more refined methods; principally for the reason which is thus indicated by Mr. Bowley. “In . . . wage groups we are not dealing with unconnected units; there is a tendency towards a standard wage in many occupations.”¹ It is disconcerting to find in Mr. Mitchell's tables of wages coincident deciles; as to which Mr. Mitchell remarks:—“The fact that two or more of the deciles for an industry are frequently identical is due mainly to the fact that the series for an important occupation in a large establishment often represents more than a tenth of the whole number of employees in the industry as shown by the data” (p. 104). This lumping together of numerous statistics at one point appears to me to impair the method of percentiles, as applied to wages, more seriously than the opposite characteristic—the absence of density—by which Mr. Mitchell

¹ Journal of the Statistical Society, *loc. cit.*

is disquieted, even with reference to statistics of prices. "The median," he says, "is rather erratic within limits of several points, because its precise position is often dependent on the relative price of a single commodity, which stands in the middle of the scale of relative prices" (p. 58). The imperfection is due, as the writer intimates (p. 33, note), to the smallness of the group. He might have added that it is not entirely removed by the use of the arithmetic mean which he proposes to employ collaterally. The advantage of the arithmetic mean in respect of definiteness over the median is to a large extent only in appearance.

I am looking at the matter from the point of view of Probabilities; each observation being regarded as representative of some coefficient that would be applicable to an ideally complete set of statistics. There are other points of view; there are diversities of problems, as Mr. Mitchell has pointed out, with respect to prices at least. With reference to one kind of problem it is proper to use price-variations not weighted according to the amounts, but rather selected according to the independence of each commodity, and not necessarily combined by way of the arithmetic mean. For another problem it is proper to weight the prices with corresponding quantities of commodity, and to combine the figures on the principle of the arithmetic mean, simple addition.

Of the latter description is the problem to determine the variation in the cost of living to the wage-earner, the change in the money-price of the set of articles (considered as constant) which he consumes. Mr. Mitchell's statistics throw much light upon this problem. Some of his results may be subsumed in the following generalisation. Let us define as "responsiveness" (to changes in monetary policy) a couple of attributes which are observed to go together, namely, the rise of index-numbers representing prices in paper-money from 1861 to 1864, and the fall thereof from 1864 to 1879. Then in the scale of responsiveness the following classes of prices prove to be in a descending order: (1) Prices of gold (in greenbacks); (2) wholesale prices of commodities; (3) retail prices; (4) cost of living; (5) wages. The paper price of gold rises higher and falls further than the wholesale prices of commodities, and much more than retail prices; the cost of the articles consumed by workmen fluctuates more violently than their wages (pp. 237, 273, 278, *et passim*).

This rough generalisation masks specific differences of great interest. For instance, it is found by Mr. Mitchell—contrary to a general belief, I think—that the responsiveness of the lower

grades of wages is greater than of the higher grades. The paradox is explained by "the more severe pressure which the increased cost of living puts upon wage-earners with small incomes" (pp. 165, 186). The supply of common labour seems to show an elasticity now commonly supposed to exist only in the pages of Ricardo.

Mr. Mitchell points to other results of economic significance which it may be hoped he will develop in the future continuation of his *History of the Greenbacks*. He will thus obtain as high a rank in Economics as that which he has now attained in the twin science of Statistics.

F. Y. EDGEWORTH

Die Gesellschafts- und Staatslehre der Physiokraten. Von BENEDIKT GÜNTZBERG. (Leipzig: Duncker und Humblot, 1907. Pp. 144; 8vo.)

THE German *seminar* is an admirable institution, but it sometimes turns out work which one can only hope will be regarded by teachers in this country as examples of what to avoid. Here is a thesis, upon which much care and time have been expended, which seems to be about as useful as the carving of cherry-stones. It might have been better entitled "The Philosophy of the Physiocrats." The names of previous philosophers hurtle through its pages—Descartes, Newton, Locke, Shaftesbury, Cumberland, Malebranche, D'Alembert, Holbach, Montesquieu, Hutcheson, &c., &c., and the *dicta* of the Physiocrats are shown to agree a little with those of some other writer, or to differ more or less from them. In catalogues of old books the eye catches such titles as *La Fontane, Économiste* or *Montesquieu, Économiste*. There seems no reason why the compilers of such books should ever stop. For anything I know, someone has already written on "Shakespeare as an Economist," or "Cobden as a Philosopher." This last subject would be nearly, though not quite, parallel with that of this essay. The great majority of the Physiocrats knew nothing about the writings of philosophers, and sometimes they treat them comprehensively with open contempt. They were "in politics," with a practical programme, and were ready to fortify their advocacy of Free Trade and a Single Tax with any argument or general proposition which they thought supported it. But it is impossible to regard their convictions as deliberately and consistently built upon the foundations of a settled philosophy. What they say about God and man, and the universe and the

first causes of things are, as often as not, mere bits of rhetoric not always in consonance with each other, even in the same piece of writing. What looks like a buttress is sometimes mere ornament.

The mind irresistibly travels to one of the rare masterpieces of economic humour—recently reprinted at Paris—the *Misère de la Philosophie*, in which Karl Marx mercilessly banters Proudhon's *Philosophie de la Misère*. Proudhon, he said, had passed in Germany for a great French economist, in France for a great authority on German philosophy. It was Marx's task to explode both reputations, and especially Proudhon's affectation to be to philosophy what Quesnay was to economics. The great Englishman, Ricardo, with his favourite illustration, was always turning men into hats. Proudhon went further, and turned hats into ideas!

If the elder Mirabeau had been asked under the standard of which philosopher he ranged himself, we can imagine his growling something to this effect: "I leave it to ideologues to turn things into ideas. I want to turn ideas into bread for the people!"

HENRY HIGGS

The Early History of the Levant Company. By M. EPSTEIN, M.A., Ph.D. (London: George Routledge, 1908. Pp. x + 270. 2s. 6d.)

THIS volume traces the history of the Levant Company up to 1640. The industry of the author in searching for original sources of information has been richly rewarded by the discovery of a series of letters as well as the Court Books of the company as it was reconstituted in 1605. Thus it is natural that from July 13th, 1614—the date at which the latter documents, as now extant, begin—it is possible to obtain a fairly complete view of the organisation of the company and the nature of the conditions under which its trading activities were carried on. Dr. Epstein has related the essential facts tersely, but with a considerable amount of insight. It is to be hoped that the hint given on p. 151 as to a second instalment may be justified by its appearance at an early date. In the earlier part of the work, which deals with the sixteenth century, there are some important omissions. So careful a student as Dr. Epstein should scarcely have missed the consideration of the problem which is suggested by a careful study of the documents, as to whether it is a fact (as has been hitherto supposed) that the companies of

1581 and that of 1592 were regulated ones, or whether they were not instances of the joint-stock type. If the latter view be adopted, and there is almost indisputable evidence in its favour, it throws light on several obscure points, and would change the interpretation of "the entrance-fee" mentioned on pp. 33 and 37. It seems, too, that more may yet be discovered as to the causes of the disorganisation of the trade for some years before 1605. The Crown had acquired a considerable stock of drugs and spices from prizes, and there was at least one proclamation prohibiting importation of some of these commodities. This may have been the first blow to the success of the company. This was followed, as appears by the letters of the company preserved in the first Court Book of the East India Company, by dissensions amongst the members. There may have been a split, some breaking off from the joint-stock body and trading independently. If this were so, the company, as reconstituted in 1605, would have been a union of diverse interests, like that of 1592.

W. R. SCOTT

The History of Local Taxation in Scotland. By STANLEY HORSFALL TURNER, M.A. (Edinburgh and London: Blackwood, 1908. Pp. vi., 308.)

MR. TURNER'S critical narrative of the development of local taxation in Scotland deserves to be widely read, not simply by students of the local institutions of that particular country, but by all students of administration and public finance. The system which he describes presents many features of special interest, and this book may, in fact, be regarded as the record of a number of instructive experiments in forms and methods of taxation.

There is, for example, the equal division of certain rates (*e.g.*, the poor rate and such town rates as those for streets and paving, general improvements, public health, housing, unemployment, and registration)—a plan which has prevailed in Scotland for more than two centuries. There is an interesting table on p. 207, from which it appears that in Edinburgh the result of this division is that of the total burgh rates two-thirds fall on the occupiers and one-third on the owners. In this connection it may be remarked that on p. 196 Mr. Turner observes that "at the beginning of the period of modern burghal rating . . . the two most important general Acts, passed within a few years of one another, set up two different methods of rating—the one on occupiers and

the other divided equally between owners and occupiers." He then points out that the classification of rates in this way—both at and since that time—was purely arbitrary, and suggests (p. 200) that "possibly there was a feeling that it made no ultimate difference in incidence"; whereas on p. 54 he has told us that "all rating legislation in Scotland has proceeded on the assumption that rates 'stuck where they fell.'"

A second interesting experiment was the graduation of local rates—somewhat on the lines of the Inhabited House Duty—which was common in the Scotch burghs a century ago, and still continues for the police rate in Glasgow (p. 206); and another was the once widely-spread system of a local income-tax, which survived in Greenock up to 1880. From some remarks in the introductory chapter (p. 8) and on pp. 50-52, it would appear that Mr. Turner has convinced himself that a local income-tax is an altogether "undesirable method of taxation," and fraught with almost insuperable difficulties. Yet the fact that the German cities are able to work such a method of taxation with success and little complaint suggests that the experience of Scotland can hardly be accepted as conclusive in this matter (the case of Lord Chief Justice Campbell has been frequently quoted in this connection and is quoted again here, but proves singularly little for so hard-worked an example). In two other forms of taxation also Scotland recalls Continental experience; the complaints as to the "petty customs" (pp. 143-150), which continued to so recent a date in many of the Scotch towns, are identical with the criticisms commonly directed against the "octroi" of the French, Italian, and South German towns; and the regulations as to statute labour for county purposes (pp. 210-213), definitely established in 1669 and continuing, though with greatly diminished force owing to the growth of commutation until a comparatively recent date, are closely akin to those which still form part of the local government law of France, and are far from being a dead letter in that country.

The chapters on the development of rating for poor-relief and education are especially interesting to students of social history. The growth of a system of general taxation for the relief of the poor was much slower than in England, and the reliance upon voluntary contributions as the main source of revenue continued very much longer than in the latter country. Even as late as 1837 only one-third of the Scottish parishes (with one-half of the population) were assessed for poor relief, and slightly less than one-half of the total available revenue was

derived from rates. The remainder came from a number of sources—voluntary offerings at churches (but not at dissenting chapels; hence the growth of dissent, and finally the great disruption, helped powerfully to bring about financial reform in 1845), charges for palls and bearers (frequently a monopoly of kirk sessions), fines for immorality, or for breach of promise of marriage, and the surplus above 100 marks of sums won within twenty-four hours at cards, dice, horse-racing, or other wagers. It is noteworthy that, in spite of these efforts to devise sources of revenue, the plan of taxing tickets for concerts, theatres, and other spectacles (so common on the Continent) is not mentioned; but possibly the yield from such a tax would have been too insignificant—in Scotland—to be worth the trouble of collection. On the other hand, it is an interesting fact (and characteristic of Scotland) that attempts at general taxation for the purposes of education began as early as 1633, and the object was never afterwards lost from sight.

In a final lengthy chapter Mr. Turner describes and criticises severely the existing system of Exchequer grants to local authorities, and to his destructive criticism adds some suggestions towards a constructive policy. Reform of local taxation moves in the United Kingdom with slow and halting steps, but we may hope that it has been Mr. Turner's good fortune to strike a final blow at the existing system, and that in the re-organisation of national finances, which cannot without grave danger be long delayed, the combined voices of the economist and administrative critics may at last receive attention.

PERCY ASHLEY

Lectures on the Industrial Revolution of the Eighteenth Century in England; Popular Addresses, Notes and other Fragments.

By the late ARNOLD TOYNBEE. New Edition, together with a Reminiscence by LORD MILNER. (Longmans, Green & Co., 1908.) Pp. xxxvi., 282. Price 2s. 6d.

It is a matter of real satisfaction that Toynbee's literary remains, including the lectures on the industrial revolution, should have been reprinted in a cheap form. To those who know Toynbee only by what he has written, Lord Milner's Reminiscence prefixed to this volume tells with admirable taste and judgment all that can assist them in finding the right point of view. Toynbee, he truly says, was never meant to write a treatise on political economy like Mill or Marshall. It might be added that Toynbee

did not approach the subject by the road of the ordinary student. "For the sake of religion he became a social reformer; for the sake of social reform he became an economist." On the other hand, as Lord Milner adds with equal truth, he had all the qualities required for writing a great economic history. The "Industrial Revolution" is, indeed, a fragment, but it has that quality which makes some fragments more inspiring, more educative than many carefully completed works. An ardent reformer who never failed in his reverence for truth and a conscientious student who never lost his sympathy with men, Toynbee set an example which will be always needed and cannot be too often brought to mind. Yet even the "Industrial Revolution" hardly gives so vivid an impression of Toynbee as some of the notes and jottings on more general themes which are re-printed here. "Our delicate, impalpable sorrows, our keen, aching, darling emotions, how strange, almost unreal they seem by the side of the gross mass of filthy misery that clogs the life of great cities." Equally characteristic, for Toynbee had a healthy sense of humour, is the following:—"Some people's minds are like a place of public meeting—all kinds of opinions appear there in turn and leave it just as they found it, empty and open to every comer."

F. C. MONTAGUE

Co-operation at Home and Abroad. A Description and Analysis.

By C. R. FAY. (London: P. S. King & Son. Price 10s. 6d.)

IN devoting some three years of research to the subject of "Co-operation at Home and Abroad," Mr. C. R. Fay has done real service to a movement which has, within the last three-quarters of a century, permeated the agricultural, industrial, and commercial relationships of the workers to an extent scarcely realised even by its most ardent followers. Beginning the study accidentally, as a phase of the "living side of Economics," Mr. Fay took up the investigation of the subject in earnest as a Shaw Research Scholar of the London School of Economics, from 1906-8. The result of his work is published in an essay of 400 pages under the above title, describing and analysing the co-operative movement in the United Kingdom, Germany, Denmark, Switzerland, Belgium, and Italy.

In each of these countries Co-operation presents not only some well-defined features of organisation, but varying degrees of social and economic importance. These differences and complexities the writer has admirably brought out in descriptive passages,

while seeking, by analysis, to discover the "common factors" which unite the aims of co-operation, and make it what it undoubtedly is—a movement to be reckoned with in the economic regeneration of the world.

The book is divided into four parts :—Part I., Banks ; Part II., Agricultural Societies ; Part III., Workers' Societies ; Part IV., Stores.—In all the parts Mr. Fay has succeeded in reducing to well-balanced and coherent proportions an enormous mass of intricate detailed information, gathered at first hand as far as possible, and a still more difficult mass of *ex parte* literature. To one who knows something of both the quantity and the quality of the material with which he had to deal, the achievement seems triumphant, and one that should make all future students of Co-operation grateful to the writer.

In an introductory chapter Mr. Fay gives a definition and classification of Societies ; and in a concluding chapter discusses the bearing of Co-operation upon the competitive system, and upon Socialism. Both these chapters will bear careful study, although probably many confirmed advocates of the movement will dissent from the essayist's conclusions : that Co-operation is neither the negation of competition, nor the herald of Socialism. The faith of the co-operator in the power of his system to overthrow the forces of competition, and to build up a new commonwealth, is so strong that he will feel disquieted to find so able a student as Mr. Fay conceiving any less comprehensive mission for it. But so far as his investigations reveal the true strength and weaknesses of the movement, and so far as the future development, either of Co-operation or Socialism, may be forecast, the essayist's conclusions have the warrant of logic. The special value of his survey of international forms of co-operation is, that we are enabled to focus the movement, not merely as a sectional method of commerce, but as an integral part of the business life of the people. It is thus brought into due perspective ; outline and detail both fall into relationship with the older forms of individual competition, and the modern forms of industrial combination.

Between certain kinds of combination and certain kinds of co-operative society there is no difference of structure, and, in fact, some associations of co-operative producers do pass quite insensibly into a kartel. But if the co-operative society is true to itself, there is a real difference between them, which is one of motives and atmosphere. Both, no doubt, seek first and foremost to benefit their own members. But, while the combination is an association of the strong to become stronger, bold, unyielding, and exclusive, the co-

operative society is an association of the weak, who gather together and try to lift themselves and others out of weakness into strength. Industrial combination is a force: co-operation is an idea (p. 3).

When an idea, having its being in "a common and original impulse of man," is seen working simultaneously in many lands with the essential function of a beneficent leaven "transforming weak ignorance into sympathetic strength," it is not altogether profitable to set an arbitrary limit to its future action, however greatly tempted by present economic tendencies.

The course which the evolution of the co-operative idea is taking in the primary industry of the world, and its effects upon national life, are interestingly traced through a maze of complex associative efforts. A right perception of the significance of the co-operative principle, as applied to agriculture, is of utmost importance at the present moment, and the lessons so opportunely drawn by Mr. Fay in his chapters on Credit Banks and Agricultural Societies—which justly occupy one-half of his book—should be of great value to students of the agricultural question in Great Britain, where, except for the successful societies inaugurated in Ireland by the Irish Agricultural Organisation Society, the system of agricultural co-operation is but in its infancy. In the main, the most obvious lesson to be drawn from the development of the movement, both at home and abroad, would seem to drive home the conviction at which both Schulze-Delitzsch and Raiffeisen ultimately arrived, namely, "that improvement (in the conditions of the peasantry) was only possible when it depended upon and came from the people themselves."

As Mr. Fay points out in two particularly interesting chapters (X. and XI.), the process of agricultural revolution has, since the "application of science to agriculture by Liebig and Thaer in Germany, Boussingault in France, and a cluster of lesser names in England, changed the balance between Nature and Man in the latter's favour." The trend of European agriculture now is towards a system of intensive culture, and includes the encouragement of the small scale farmer and the small allotment holder, as against the large scale farmer. Over the greater part of Western Europe it is noticeable that "cultivating ownership by comparatively small farmers is making greater headway than any other form of agricultural administration." In Great Britain, as in Belgium, a secured tenancy is strengthening the position, and to the success of the small scale agriculturist co-operation is of vital importance. By means of his co-operative credit bank, his societies for supply of seeds, manures, and implements; his

co-operative ownership of machinery, and his sale societies, the small farmer, co-operatively organised, becomes the equal of the large farmer, and both are ready to combine in a provincial dairy or corn society, a national selling federation, and an international wholesale association.

But it is the peculiar and fundamental distinction of the agriculturalist that he retains inviolate his individualistic interest in his work; struggling at close quarters with Nature for the fruits of the earth, the farmer is a law unto himself. His area of possession and his exertions are alike limited by the boundaries of his farm. An organisation imposed upon him from outside leaves his interest in association cold. Given access to the land, and security of tenure, the small agriculturalist is roused to co-operate with his fellows in ways that will economise his resources and enhance the value of his labour.

There is also a fundamental difference between industry and agriculture which Mr. Fay emphasises in analysing the distinction between the Schulze-Delitzsch type of town bank and the Raiffeisen type of rural bank. The small industrialist, for whom the town bank was evolved, he points out,

has no need for a kind of co-operation which does not leave his main work of production or distribution to himself. He has need of the co-operative town bank, because this supplies him with funds with which to operate, and no more (p. 10).

But the trend of industrialism is not to stereotype the small industrialist, but to change the small-scale producer into the large-scale producer. Hence we hear complaints that the popular bank is losing its early ideal and its hold on the small worker, and "that the management is getting into the hands of big men." This complaint, which voices dissatisfaction and criticism, both inside and outside the movement, is, due, the writer thinks, more to the nature of industry than to actual loss of ideal.

It is not that big men are capturing and driving out the old members, but that a growing percentage of the original small members is becoming big. Schulze-Delitzsch secured the position of the small industrialist under the new conditions of modern industry by supplying his chief want, namely, ready capital. But he could not secure that he should remain small if opportunities for expansion offered themselves (p. 41).

Workers' Co-operation and the Store Movement.—When we come to the workers' societies and the store movement, we again reach different types of co-operators, approaching the act of mutual support from fundamentally different standpoints, but

with the same common ideal—the union of the weak in an effort to become strong.

Associations of small producers, as in the German Handwerkgenossenschaften, start and end as independent producers; they are on the margin of the modern industrial stream, and they are apt to become stranded and left behind in the sweep of the tide.

The workers' society, on the other hand, "is within the area of modern industry." The type appeared both in England and in France in the years of industrial discontent as "the bold, passionate response, wrung from the unsubmissive souls of those who have tasted and found the water bitter." To English students the struggles, failures, and tardy revival of these societies at home and abroad are invariably charged with keenest interest. The story owes much, of course, to the personality of the Christian Socialists, the pioneers of English productive societies, and to Louis Blanc, the pioneer spirit of the State workshops in France. Important differences in structure, however, exist between the societies in England, France, and in Italy, where, since 1880, a vigorous and interesting development has taken place. The five chapters of Part III., devoted to workers' societies, adequately define the strength and the weaknesses of this form of co-operation, which has caught the attention and inspired the enthusiasm of some of the best type of co-operators.

In this connection, Mr. Fay discusses once again the well-worn controversial theme of "profit-sharing." He sifts with patience and fairness the confused arguments and unequal logic that has been brought to bear upon the subject by ardent controversialists, and he carries his readers to the present standpoint of the most intelligent advocates of the system, viz.—

Special remuneration to labour as a stepping-stone to membership, membership as a status for the more responsible exercise of functions of organisation and control, the exercise of these functions as the essence and end, this is the true interpretation of profit-sharing in the society of working-men producers (p. 265).

This analysis does not, of course, exhaust the controversial quality of the theme: there still remains the further disputed question as to the course co-operative production shall take under the store movement—which is the special success of British co-operation, and its best known manifestation. Although the bitterness of the past dispute, when there were giants of debate like George Jacob Holyoake and J. T. W. Mitchell in the forefront of the battle, has given way to more tolerant argument—

and even some attempt at *rapprochement* between the two sides of the movement—the difference remains fundamental. The co-partnership society approaches co-operation from a vitally different base from that of the distributive society. "The workers' society stands for a system of production, in which the position of the worker is the primary object of consideration." In the store movement the consumer is the unit "in a co-operative commonwealth unrestricted in size, but with its workers probably excluded from its benefits except as consumers."

These are the conclusive definitions at which all students of the movement must necessarily arrive, but they do not bridge the severance, nor amalgamate the two forces into one. Sooner or later the comparatively small workers' society comes into actual collision with the large and powerful consumers' federations, and the impact is likely to have tragic effects upon the workers' organisation.

But, in the ultimate struggle for supremacy, it does not absolutely appear that the store movement, as expressed in its wholesale federation, will be allowed to use its giant strength in arbitrary annihilation of the workers' society. Its destiny, as the most wide-reaching and democratic expression of the co-operative idea, and that nearest to the "socialist conception of industrial structure," is the impetus which is carrying forward the consumers' type of co-operation to the mastery. The danger to the commonwealth arises, not when a share in the profits is denied to the workers in the wholesale boot factory, or when a productive society is absorbed, but when men, democratically elected to serve the movement on the directorate, seek to acquire for their organisation the qualities of an autocracy.

Mr. Fay notes that the special significance of the British store movement is its expansion in the direction of wholesale federation for purchase and production. It hardly appears, however, that he has given sufficient weight or prominence to the other special feature of co-operation in Great Britain, namely, its almost complete organisation under the Co-operative Union. No doubt his chief concern was to show, as he does admirably in chapters IV., V., and VI. of Part III., the economic, social, and industrial significance of the movement in its relationship to industry at large; but it is strange to find merely passing references to the Union. If, as it would seem to his dispassionate survey, the Union has become a subservient auxiliary to the wholesale federation, then it behoves the movement to beware of a real danger to its moral force.

The Co-operative Union, with its standard of model rules, its network of district and sectional conference organisations, its educational and propagandist agencies, and its annual parliament, stands for the co-operative conscience, and if it appears to so keen an analyst as the essayist that its conscience is attuned mainly to commercial expansion, then it is time a revival took place.

This is perhaps the most serious criticism that need be brought against Mr. Fay's thoughtful and compact contribution to co-operative literature. We are so accustomed to the brilliant special pleading of George Jacob Holyoake, Beatrice Potter (Mrs. Sydney Webb), and other less sparkling but none the less partial advocates in Britain, of Dr. Friederich Müller in Germany, and of Dr. Hans Müller in Switzerland, that the studied aloofness of Mr. Fay's style will give confidence in the clearness of his vision. His has been no propagandist mission, but his work will add greatly to a better understanding of this great and progressive movement towards the equalisation of wealth, and the uplifting of the common people.

The work should be read with attention by all who are interested in sociology; its value to the student is increased by an appendix on co-operative law, a note on French law, a useful bibliography, and a glossary of German terms, translated for English readers.

CATHERINE WEBB

Industrial Peace and Industrial Efficiency. Proposals submitted by Sir Christopher Furness, M.P., to a Conference of Trades-Union Representatives. Small 8vo. Pp. 40. (West Hartlepool, 1908.)

State Regulation of Labour and Labour Disputes in New Zealand. A Description and a Criticism by Henry Broadhead. 8vo. Pp. 230. (London: Whitcombe and Tombs, 1908.)

Report to the Secretary of State for the Home Department on the Wages Boards and Industrial Conciliation and Arbitration Acts of Australia and New Zealand. By Ernest Aves. Folio. Pp. 226. (London: Wyman and Sons, 1908.)

THESE three publications, although they are of recent date, will, we think, recall to the informed observant reader a general moral with which his previous studies must have made him tolerably familiar. That moral may find expression in the dictum that the methods of social reform are not one but many;

or the same broad truth may be presented in another guise in the entertainment of a reasonable distrust of the absolute efficacy sometimes attributed to some single sovereign remedy for economic ills. For the problems handled by the three authors are so far similar that all are concerned alike with the prevention of industrial conflict and with the preservation of industrial peace; and yet they approach the question from different sides and arrive at varying conclusions and results.

The remarkable speech delivered by Sir Christopher Furness at West Hartlepool on the 7th of October last, contains the clearest, most practical, and most convincing exposition of the respective functions and mutual relations of the several members of that "trinity" of "Capital, Enterprise, and Labour" which, he says, represents the "active forces of the industrial world" that we remember to have seen in the whole range of economic literature. The plain, definite conviction is here expressed that by some kind of profit-sharing the most solid guarantee can be secured for the maintenance of an industrial harmony which will be compatible with industrial efficiency. He has spoken with effect; for his proposals have won the approbation of those to whom they were addressed. The trade unionists of the district have not indeed—and we imagine that he hardly anticipated that they would, and was not, if we read his speech aright, very desirous that they should, follow this alternative—embraced his offer that they should take over at an equitable price the whole responsibility of managing for themselves the important undertaking of which he is the chairman. But the representative leaders whom he addressed agreed to recommend to their constituents the adoption of his other plan, by which the actual workmen would become shareholders in the enterprise without interfering in the direction of the business, and would accept the indispensable condition of an entire abstention from the weapon, offensive or defensive, of the strike, so often and so lightly used in recent years with such calamitous results of constant irritating friction between master and men, and of the costly sacrifice of much remunerative trade. Sir Christopher's scheme, so lucidly set forth in this instructive speech, presents a feature which, so far as we are aware, is a novel characteristic of industrial partnership, as heretofore conceived or practised. He is willing that on his new "Works Council," which is to bring and keep employer and employed in close continuous friendly contact, some trade union officials, as such, should sit, as well as workmen actually engaged in the employment of the firm. For that reason alone his experiment will be

watched with interest, and this particular proviso is in complete accord with the general tenor of his whole discourse. That is in truth a noteworthy utterance, outspoken and direct, which, while it does not flatter those to whom it has been addressed, yet shows a genuine appreciation of their sterling qualities, and betrays withal a shrewd perception of the manner in which they should successfully be approached. No sane reformer, we imagine, can do aught but wish well to a plan which has been so carefully thought out, so opportunely broached, and so auspiciously received; and we would unreservedly commend the authoritative statement of the scheme to the attention of all who are interested in social and in economic progress. We believe, indeed, that economic theorists, equally with practical reformers, may learn from these pages how to express ideas with which they have for long been familiar with fresh effect.

Sir Christopher Furness has been induced to try his notable expedient by the harassing experience of the continuous strife of recent years, which, in his words, has caused a "crisis exceptionally grave" in the shipbuilding industry. He speaks, of course, from inner knowledge of the affairs of that particular department of business life; but few detached observers of the conspicuous incidents of the past few years in other regions of the industrial world of England can fail to have been somewhat disquieted by unwelcome circumstances which have occurred. They seem calculated to shake the sanguine hopes formed previously with reason of the increasing prevalence, the better adaptation, and the enlarged success, of pacific methods for preventing and adjusting differences between employers and employed. The protracted quarrel in the engineering trade of the north-east coast conducted by the men against the counsel of their leaders, and the later dispute in the cotton-spinning industry of Lancashire, where one section of workers was ready for peace while another insisted upon war, are not, it must be admitted, encouraging omens for the future. And those who believe in the advantage and the efficacy of those voluntary methods for securing amicable arrangements between masters and men, in which this country has for some while past set a conspicuous example, may have felt latterly that their faith has been exposed to a test of fresh severity.

But they will, we think, be strengthened and not weakened in their creed by the perusal of the two other publications placed at the head of this review. They may thus be encouraged to conclude that Mr. Winston Churchill, as President of the Board of Trade, in the memorandum issued to Chambers of Commerce

and to employers' and workmen's associations a short while since, explaining the new apparatus which he was adopting, for setting up a standing Court of Arbitration, ready to act whenever needed, and nominated from three panels he has formed—one consisting of persons of "eminence and impartiality," who would be the chairmen, the second of persons drawn from the "employer class," and the third of persons "similarly drawn from the class of workmen and trade unionists"—has done wisely, in accord with English instinct and tradition, in not departing "in any respect" from the "voluntary permissive character" of the Conciliation Act of 1896. He has taken, indeed, a new step in advance which may prove serviceable and acceptable; for he has supplied a suitable machinery which will be known to be in readiness for prompt use. But, as he says, the Court (which will consist of three or five members) will only be called into being if, and in proportion as, it is actually required.

For what are the lessons contained in the full and fresh accounts given by Mr. Aves and Mr. Broadhead of State arbitration in Australasia? Mr. Broadhead entitles his book expressly "State Regulation of Labour and Labour Disputes in New Zealand," and a considerable portion of Mr. Aves' report is devoted to the Wages Boards of Victoria. But this enlargement of the subject is not without significance in connection with the matter with which we are now more immediately concerned. For, in effect, the system erected in the colony of New Zealand for the ostensible object of hindering industrial strife has been employed—whether advantageously or not we need not now inquire—to achieve larger social aims, such as the establishment and enforcement of a minimum wage, or the prevention of sweating, or the preferential encouragement of organised labour, united together in combinations, in place of individual labourers—and, where industrial arbitration has been invested with the sanction of the State on the main continent of Australia, these objects have been more plainly evident and more openly avowed than in New Zealand.

In Mr. Aves' report, those who are interested in proposals recently put forward in this country to mitigate or to abolish the evils understood—perhaps with some vagueness—by the generic name of sweating, will find much instructive information carefully recorded on the effects in Australia of those Wages Boards of which they think an experimental trial should now be made here in certain industries conspicuous for low payments and long hours and insanitary conditions. But it is to be noticed that,

as he states, the home-work, which furnishes the crux of the difficulty in Great Britain and in Ireland, hardly exists at all, and in any case is not a serious factor of the situation, in Australasia; while, like most honest and alert observers of social phenomena, he has found it by no means easy to ascertain, in the presence of possible disturbing causes, the precise operation of the Wages Boards in connection with various matters of importance, or to reproduce with exact fidelity the general drift of opinion in different classes or in the community as a whole on their good or bad effects. There are also some broad considerations which must be borne in mind in any comparisons which may be instituted between the Australasian colonies and Great Britain; and those considerations apply with additional rather than diminished pertinence to the question of labour disputes. Not only is the industrial region in which these experiments have been tried of small magnitude, but the experiments themselves have been conducted hitherto under favouring conditions. Wages have been tending upwards, and not downwards; and as respects those female workers, who form the bulk of the underpaid wage-earning classes of this country, in Australia and New Zealand there has been a dearth and not a plethora of such labour. The market influences, accordingly, have inclined in their advantage. "The time of real trial, it would seem, has not yet arrived; and nevertheless in New Zealand, at any rate, pronounced murmurs of dissatisfaction with the decisions of the Court of Arbitration when they have not precisely coincided with their wishes have been heard among the working classes, and even strikes have not been unknown.

But the significant lesson which in our opinion can be drawn from this concrete experience of the official regulation of labour disputes is somewhat different. It is, we think, brought out unmistakably in Mr. Broadhead's narrative, supplemented as that is in many instances by the actual text of the judgments delivered in the Court, of the operation in practice of the system introduced by Mr. Reeves in 1892. Although he has, we think, conspicuously succeeded in the aim recorded in his preface of furnishing a "comprehensive" view of the working of compulsory arbitration in New Zealand, we should hardly allow without making some reserve that he can be regarded as "unprejudiced." But nevertheless he does supply chapter and verse for his statements; and many of them are confirmed generally by Mr. Aves. Of some conclusions at which he arrives we can feel no doubt; and they are not the least significant. That the Board of Concilia-

tion, which were supposed to play the largest rôle in the machinery provided, have failed to succeed is virtually admitted by recent reforms that have been projected. In this country, however, the work of such conciliatory committees has bulked most prominent in the history of industrial peace; while in New Zealand the Court of Arbitration, invested with compulsory powers, which was originally contemplated as occupying a position in the background, only to be invoked when the Boards had failed, has thrust them forcibly from their place. Nor has its infelicitous unintended influence ended there; for it is impossible, in the face of facts, to question Mr. Broadhead's pertinent contention that the creation of disputes has been stimulated and suggested by the particular machinery provided for their settlement. In this country, again, by contrast, the most useful work done through the voluntary arrangements in existence has lain in the prevention rather than the settlement of quarrels, and in the adjustment of minor differences which might otherwise lead to more extensive strife. This result of the New Zealand legislation, which cannot, we suppose, have been foreseen by its originators, is connected with a further noticeable fact. For no one can read the interesting judgments on many points of great importance which Mr. Broadhead has quoted at some length without observing how necessarily a trained judge presiding in a court brings a legal habit of mind to bear upon the questions placed before him. He tries to find the true construction of the statute or the statutes in pursuance of the provisions of which the tribunal on which he is sitting was first constituted; and it is impossible in actual fact for proceedings so conducted to allow full room for that mutual "give and take" which may fairly be described as the essential and the wholesome feature of voluntary informal methods. The consequence seems to have ensued in New Zealand that the machinery of compulsory arbitration has been used, for instance, largely for enforcing those conceptions of the preferential treatment of trade unionists to which we have alluded, and that employers and employed have found themselves unwittingly involved in legal meshes as the outcome of awards of which they themselves have been ignorant.

And thus the moral is suggested that in this case we have a fresh example of the unexpected issues which may proceed from the most admirable intentions. In our opinion, at any rate, the actual experience of compulsory arbitration in New Zealand may give pause to those who advocate the imitation of the particular expedient in our country. Voluntary methods may,

we allow, have their own defects, but they are comparatively free from the technicalities, the precedents, and the rigidity which must, it seems, intrude before any considerable length of time has passed into legal procedure and judicial investigations and decisions. The cutting of the "Gordian knot" by State compulsion is thus not without its special disadvantages; and methods apparently incomplete may be, in fact, attended by a larger measure of real success than systems which have seemed, on paper, to be more perfect.

L. L. PRICE

Dictionary of Political Economy. Edited by R. H. INGLIS PALGRAVE, F.R.S. (London: Macmillan and Co., 1908.) Appendix. Pp. 223. Price 2s. 6d. net.

THE fourteen years that have elapsed since the publication of the first of the three volumes of Mr. Palgrave's Dictionary have witnessed not a few changes in the position of economic theory. It was a happy enterprise, therefore, to produce this Appendix, not only for the purpose of filling such gaps as there were in the original work, but to take account of the changes and developments which these fourteen years have seen. Naturally, considering how exhaustively the whole field had already been covered, the present work deals less with the strict science of political economy than with the lives of various of its professors, and with the different branches of applied economics—statistical, social, and political. The editor has thus had a wide field to choose from, but he has not failed either in his power to comprehend or to select. Nothing seems to be missing that one would have there, yet nothing that is there appears to be out of place.

As in the previous volumes the author has been happy in the number, the quality, and the selection of his contributors. He has not confined himself to the ranks of economists pure and simple, though there are few of any prominence whose assistance he has failed to secure, among them being some of the most distinguished of foreign economists, notably Professor Seligman and M. Gide. But in addition to this there is scarcely a Government office that is not represented on the list of contributors, and Mr. Palgrave has been able to procure the services of many of the ablest public servants, whilst politics are well represented by Viscount Milner and the Postmaster-General. The editor himself contributes several able articles which are not

by any means the least valuable part of the book, and to support "these chiefs of various fame" he has gathered a solid battalion of the "private soldiers" of Political Economy.

Turning to the matter that has been contributed, first mention may be made of the large number of biographical sketches. In this way the author has been able to make good one of the few omissions of the main volumes of the Dictionary. Most of these biographies deal with less-known economists both in England and abroad, men who "laboured during the days when the teaching of Ricardo and James and John Stuart Mill was supreme," and who, in this country at least, "have been in some instances but imperfectly recognised, owing to the fact that their opinions were not in harmony with the orthodox teaching of the day." Death too has, since 1899, deprived political economy of some of its most illustrious sons, and of one or two writers whose reputation rests less on their work in this field than in others—notably Herbert Spencer and John Ruskin. Most of this part of the book, especially in the case of the foreign economists, is of necessity confined to the shortest of notices: but these will at least be a guide to students as a starting-point for more detailed treatment and fuller investigation.

No recent development in economics has been more marked than those that have taken place on its mathematical and statistical side: a fact that the editor has not failed to recognise. For he has included a number of short paragraphs defining and describing the most important of the new methods and ideas. Such are those on the "Weighted and Unweighted Average," "Interpolation," "The Frequential Mean," "The Median," and "The Unbiased Error"; though it is perhaps a pity that it has not been possible to devote a larger space to some of them. In the domain of practice there are articles, like that on "Income Tax Statistics" and "Silver Production," which are a continuation of contributions to the previous volumes. But the most important of all is undoubtedly Mr. A. L. Bowley's "Changes in Wages Real and Nominal in the United Kingdom since 1850," in which statistical tests are utilised in the attempt to solve this peculiarly difficult problem.

In dealing with present-day questions the editor exhibits both boldness and catholicity; and has not been afraid of overstepping the strict limits of his subject. There are many articles dealing with the working of various Acts of Parliament, such as the Agricultural Holdings Act, or with such investigations as the Census of Production, or with departments like the Com-

mercial Intelligence Department of the Board of Trade. More interesting, if not more important, are the problems of the present day which the editor has selected for treatment. "The Unemployed" and "Old Age Pensions" are dealt with by Prof. Chapman, and "The Tariff Reform Movement" by Mr. C. A. Vince. There is, too, an article of great power on "Colonial Policy, Recent Developments," from the pen of Viscount Milner, an article that is, perhaps, the most interesting and suggestive in the whole volume. Indeed, it is because of articles like these that the editor has done so well to leave occasionally the beaten track.

But among modern problems that of Economic Education must have no small place in the thoughts of every student of economics: and Mr. Palgrave has devoted special attention to this. He himself has contributed the article on the Faculty of Commerce in the University of Birmingham, and a sympathetic and suggestive sketch on the need for trained inquiries into social conditions. A very valuable collection of sketches on economic libraries is given by Mr. C. W. Andrews, and three of the most illustrious economists of to-day—Professors Marshall, Edgeworth, and Seligman—deal with the teaching of the science at Cambridge and Oxford Universities and in the United States. Such full treatment of economic education is perhaps the most acceptable part of the whole Appendix, though it is all of undoubted value. In some respects the editor has not had a wide field for his operations, but he has so organised and arranged his material as to produce a most useful volume, as well as a very necessary appendix to his main work.

N. B. DEARLE

NOTES AND MEMORANDA

THE STATE IN ITS RELATIONS TO TELEGRAPHS AND TELEPHONES

IN the United States telegraph and telephone business is not, as it is in European countries, a monopoly of the Government. There is a Post Office which deals very efficiently with the "mail matter" of the country, though the service is carried on at a loss. It is an inheritance from the days when George III. was King and Benjamin Franklin was his Postmaster in Philadelphia. Its functions have been little extended since those days. It has no parcel post, no money orders or postal orders, no savings bank, and no telegraphs. All these branches of business, which in Europe are inseparably associated with the post offices, are conducted by private enterprise. Similarly, there has been little development of municipal undertakings. The corporations in many cases control the water supply, but public lighting, street railways, and tramways, telephone exchanges, and the supply of electric and hydraulic power are all in the hands of companies. The prevalence of typhoid in the cities, and a distrust of municipal purity, have until recently checked any enthusiasm for city undertakings, but within the last few years rumours of the wonderful success of such business in this country, and especially in Birmingham and Glasgow, have led to a new movement for similar undertakings in the United States. The large profits derived by companies from the business of public supply, the goodwill of which seems to belong to the public, have excited the cupidity of social reformers, and in many cases the treatment of their customers by these companies has led to a wish to deal with bodies more amenable to public opinion. Of this movement Chicago has been the centre. The Corporation of Chicago is an active and intelligent body. They have sent representatives to study municipal enterprise in Europe, and a representative of the Glasgow Corporation was invited to visit Chicago. On the other side the champions of commercial enterprise have not been less active,

In this controversy Mr. Hugo Meyer, sometime assistant-professor of Political Economy in Chicago, has taken a leading part. He lately published an important work containing an elaborate study of *Municipal Ownership in Great Britain*, and a book on *Government Regulation of Railway Rates*. He has now added to the series two books on *British State Telegraphs* and on *Public Ownership and the Telephone in Great Britain*. The latter book has a special significance, because the City Council of Chicago recently appointed a special commission to investigate the proper conditions for its telephone service. The "franchise" of "the Bell Telephone Company" was about to expire, and a new company, with cheap rates and public regulation was projected. The Council in September, 1907, decided to renew the franchise of the existing company after an examination of the financial and technical position. The new franchise contains an agreed scale of reduced charges and other provisions favourable to the public, but the decision is a great triumph for the school represented by Professor Meyer. Local telephone business can be conducted within a moderate area, and offers great attractions to municipal enthusiasts. Telegraph business, on the other hand, reaches from city to city and from State to State, and could never be undertaken by any public authority except the Federal Government. The jealousy of the State Governments would make a Federal system practically impossible in "the United States," but it is Professor Meyer's aim to prove that no public authority, whether national or local, has ever undertaken such a business with real advantage to the public, and the case of the British State telegraphs has therefore to be included in the indictment of public ownership.

Professor Meyer makes three main charges against the British system. The first is that the Conservative Government of 1868 hurried through Parliament the Act which enabled the Post Office to purchase the telegraphic business of the telegraph and railway companies in order to secure the credit of such a popular measure before facing a General Election, and that the official statements used to justify the proposal were misleading, both as to the results of Government systems of telegraphs on the Continent, and as to the financial possibilities of the business in this country. The second charge is that the Post Office telegraph system, especially in the early years after 1870, was extended on an uncommercial basis to many small and remote places under political pressure, and that this disregard of proper financial considerations was especially shown by Parliament in the reduction of the

minimum charge from one shilling to sixpence in 1885. The third and most serious count is that a public department under the control of a Minister is subject in England to such constant and unreasonable interference by the House of Commons that it is impossible to secure either efficiency or proper discipline among its staff. The best men cannot be promoted, and the bad ones cannot be punished. Moreover, the voting power of the very large body of Post Office officials and their friends is sufficient to exact from Parliamentary candidates pledges to support excessive demands for the increase of wages and for the improvement of the other conditions of service without regard to the conditions of similar work outside the Government service, or to the effect on the telegraph revenue. Professor Meyer does not, however, make the charge usually made against Government services, that the general management is inefficient and conservative as compared with the management of commercial companies.

In an examination of these charges credit must be given to Professor Meyer for the thoroughness with which he has examined his authorities and for the accuracy of the statements on which his arguments are based. His inferences, however, are sometimes questionable, and he is frankly a partisan. He is not concerned to discuss both sides of the question, but merely to state the arguments against a case which public opinion is apt to regard as beyond discussion. It may be that the Government in passing the Telegraph Act of 1868, to enable the Post Office to buy the business of the companies, did not make a scientific investigation of the subject. Possibly, also, the official statements on which the Act was based, which were mainly the work of one man, Mr. Frank Scudamore, an official of great brilliance but impatient of details, may have interpreted too optimistically the results of the Government telegraphs in France, Belgium, and Switzerland, and may also have represented too unfavourably the telegraphic results of commercial enterprise in this country. On the other hand, it cannot be denied there was a strong force of public opinion in favour of the change. The high charges of the companies, the division of the country between competing systems which did not interchange traffic, and the reluctance of the companies to make extensions on which an immediate profit could not be realised, were all unnecessary obstacles to the use of telegraphs. It may be that uncertainty as to the intentions of the Government for some years before 1868 helped to produce these conditions. Possibly also the demands of the railway companies as freeholders of the easiest

telegraphic routes, burdened the operations of the telegraph companies, but, nevertheless, there was a clear field in the 'sixties for large extensions under unified management with capital bearing only 3 per cent. interest instead of a 10 per cent. dividend. The technical side of telegraphy had then become sufficiently standardised to make fairly exact calculations of the cost of construction and working easily possible.

If there was an adverse balance of revenue and expenditure for ten years after the purchase of the telegraphs in 1870, yet there were large items of public advantage to be taken into account. The charges of the companies, which varied from 1s. to 2s. for twenty words in Great Britain, and reached 6s. for twenty words to Ireland, were reduced to a uniform rate of 1s. for twenty words, with free addresses. A very cheap rate for Press messages was also given, which, although to some extent a bribe to the Press, has greatly assisted the progress of provincial journalism. The railways also enjoyed valuable free message privileges, which, although a burden on the telegraph service, have assisted in the development of their local traffic. Moreover, the telegraph system, which had previously been available only in the larger towns, was extended rapidly to about 2,000 additional offices, with the result that at the end of the year 1872-3, the third year of Post Office working, the number of telegrams had increased to 15,000,000, or three times the number in 1869. This growth in offices and messages was steadily maintained for many years. In spite of the expenditure involved in these extensions, many of which were paid for out of revenue, the receipts from the service in 1880-1 were sufficient to pay not only the ordinary working expenses, but also the interest on the whole capital expenditure of about £10,000,000. In 1885 this happy condition was altered by the reduction of the ordinary rate to 6d. for twelve words, and great concessions have since been given, such as the extension of the radius of free delivery to three miles. This lower rate, coupled with the extension of the system to remote parts of the kingdom, involving re-transmission at two or three offices in many cases, with a corresponding increase in the cost of working, has involved a loss on the service which has been accentuated by two new conditions. These are the loss of short-distance traffic, due to the increasing use of telephones and the rise in the cost of the staff due to increased wages. The telegraph service has had to be subsidised by the Exchequer, but the money so expended has been represented by valuable facilities for communication, especially in the rural and

outlying parts of the kingdom. For the purposes of Administration it is no doubt better that each service should be on a commercial footing, but nevertheless it is misleading to treat the additional expenditure on the telegraphs merely as a burden on the taxpayers.

The third part of Professor Meyer's indictment is the most serious. Parliament has often influenced the work and finances of the Post Office in the interests both of individuals and of classes of the staff without regard to the requirements of business management, and, if this condition is to be regarded as permanent, the most pessimistic views would be justified. There is undoubtedly a real risk in the exercise of political pressure by large and organised bodies of Government servants. On the other hand, it may be suggested that the conditions of State employment are in process of evolution. The simple organisation of the Post Office staff of fifty years ago has been proved insufficient for the management of a staff which now numbers some 200,000 persons. The action of Parliament has, after all, been taken to secure fair treatment for individuals and proper pay and working conditions for classes. This action has often been taken without real knowledge of facts. On the other hand, it has enforced a scrupulous attention to the control of the staff, and is producing a more scientific organisation. It may be hoped that in the future this organisation may be so adjusted to the requirements of the work as to secure efficiency and economy without disregard of the duty of Government in the improvement of the general standard of living.

In dealing with the telephone service, Professor Meyer's chief complaint of State action is based upon the treatment which the National Telephone Company and its predecessors have received at the hands of successive Governments. In 1880 the Postmaster-General, after declining to purchase the "Bell" patents, obtained a legal decision that the working of public telephone systems was covered by the Post Office telegraphic monopoly established by Parliament in 1869. In 1881 licences were granted to the United Telephone Company and other telephone companies to establish exchanges in certain restricted areas, subject to the payment of a royalty of 10 per cent. of their gross proceeds, in order to protect the telegraph revenue. In 1884 new licences were granted to the companies giving them the right to transact telephone business, without restriction of area, all over the United Kingdom. In 1892 the National Telephone Company, which had absorbed all the others, agreed (practically

under compulsion, according to Professor Meyer) to sell to the Post Office its trunk lines between the chief towns in the United Kingdom, and to restrict its business within local areas described in the agreement. This bargain was completed in 1896, and the trunk lines were handed over to the Government. In 1898, after considerable public agitation, a Select Committee of the House of Commons recommended that competitive licences should be granted to municipal authorities. This policy, according to Professor Meyer, was a breach of a virtual promise of protection against competition given by the Government as a part of the previous bargain, but it was put into effect by the issue of about a dozen licences during the next few years. In 1901 the Post Office also began to establish a competitive exchange system in London, and shortly afterwards concluded an agreement with the National Telephone Company to combine the new London system with that of the company, and to purchase the company's plant on the termination of its licence in 1911. In 1905 the Post Office made a further agreement with the company to purchase the remainder of its plant in 1911 on "tramway terms," that is to say, at the cost of reconstruction less an allowance for depreciation.

It is no doubt true that much difficulty has been caused by the frequent changes of Government policy in relation to telephones, but this has been only one factor in the result. Professor Meyer compares the enormous development of the telephone system in the United States, where it is subject to no Government restrictions, with the moderate development in Great Britain, and asserts that the sole reason for the difference is the interference of the State with commercial enterprise. He forgets however, that in the United States there were the same troubles and the same complaints as in this country in connection with the commercial telephone system, and that telephonic history in the two countries has presented almost exactly the same features. The absence of Government control has, no doubt, increased the opportunities for competition, and has thereby greatly assisted development, but the encouragement of competition is ~~one~~ of the points in the action of the British Government of which Professor Meyer chiefly complains. He also forgets that in a new country there is a field for new appliances and new means of communication which does not exist in an old country with a settled social and commercial organisation.

The licences granted to the telephone companies in 1884 were settled by Mr. Fawcett. He held the view that it was better for freely competing commercial companies to develop new inven-

tions than for a Government department, hampered by Treasury restrictions, to attempt to do so. His policy of fostering commercial competition was, however, defeated by the patent monopoly established by the United Telephone Company, who acquired both the "Bell" and "Edison" patents. From 1884 to 1892 the United Company and its offshoots had a perfectly free hand in the development of the telephone business, but they held a monopoly protected by patent rights, and their business methods were such as to call forth bitter public complaints.

The Bell Companies in the United States, which also held a patent monopoly till 1894, were then noted for their unprogressive spirit. Their charges were high and their exchange systems were inefficient. The number of telephones in use was less than one-tenth of the present number. Their relations with the public were so bad, and their service so insufficient, that as soon as their patent rights expired a storm of competition burst upon them. It is this storm of competition which has transformed them into an enterprising and efficient undertaking, and not the absence of State control. Similarly in this country the competition both of the municipalities and of the State since the year 1901, of which Professor Meyer complains, has in reality evoked the energy and the zeal for extension and improvement which have made the National Telephone Company such a successful undertaking.

Professor Meyer is on safer ground in comparing the ineffective results of municipal telephone enterprise with those of the National Telephone Company. Tunbridge Wells, Glasgow, Brighton, and Swansea instituted competitive systems, which for good reasons they have since sold, either to the Post Office or to the company. Hull and Portsmouth alone maintain their systems, which, however, furnish only about one-third of the service in each town, and are now practically unprogressive. It is a question, nevertheless, whether such results are necessary in municipal telephone systems. The agitation which started these systems lacked knowledge and experience. Sanguine estimates of cost were accepted and underestimates of future requirements. Efficiency was sacrificed for cheapness. These conditions were, however, accidental rather than essential.

A great deal is made of the refusal to the company of way-leaves for their wires by local authorities and by Parliament. So long as overhead wires were chiefly required, it is doubtful whether statutory rights and statutory obligations would have been of much advantage to the telephone company. As soon as

underground wires for telephone purposes became really practicable, about 1898, the National Telephone Company were able to obtain agreements for laying them from the corporations of most of the principal towns, although the Corporation of Glasgow and the London County Council have persistently opposed their exercise of public way-leave rights in the streets of those cities.

A. M. OGILVIE

RATING ACCORDING TO BENEFIT.

PROFESSOR CANNAN'S article in the June issue clearly indicates that, on one point, the argument may advantageously be carried one step farther. Many years of practical experience led me to conclude—perhaps rashly—that the effect of local expenditure upon land values and structural values respectively had only to be stated in order to secure general assent.

The gas illustration, and all other cases where the consumer pays according to the supply afforded him, must be ruled out—for many reasons, of which the chief is that such supply and payment are ordinary commercial transactions into which the element of taxation does not enter. The charge for water supply, moreover, is too complicated for clearness of deduction, being sometimes made according to quantity and sometimes by means of a tax on the annual value of the premises supplied. The point can be much more fairly tested in relation to local expenditure on streets, public health, and those other matters of local administration undertaken for the benefit of all inhabitants, but met by charges upon the rateable value of occupied property.

The important question is whether the criterion of rateable value does or does not distribute the cost of these beneficial services in accordance with the benefit received from them. Now the effect of all such services, if prudently administered, is to enhance the value of land. This cannot be denied. They have no such effect upon the value of buildings: but this part of the conclusion has been controverted. Not many years ago an island block of buildings was removed from the southern end of Tottenham Court Road. The premises behind, previously reached only by a narrow footway, suddenly became frontage on the main road, and a large increase in their value resulted. But if these buildings were destroyed by fire it would not cost a penny more to rebuild them in consequence of the improvement. The reason is that the enhancement of value is an enhancement of land, site, or situation value, and does not affect structural value in any

way. At first sight expenditure on fire brigades seems to have a different effect, inasmuch as it is designed to protect buildings and their contents. As a matter of fact, it does not alter the *value* of either building or contents. But it does make the area within the protection of the fire brigade more suitable for the erection of buildings, by reason of the added security it confers; and the effect of this is, again, to enhance the value of land, site, or situation. But it does not render either buildings or their contents more valuable, nor would it on that account be more costly to replace them. Good sanitary administration makes a town a healthier place to dwell in, and thus attracts population; increase of population is usually followed by increase in land value; but any number of additional buildings may be erected without any alteration whatever in the level of structural value. It is important to distinguish between an increase in the total value by the addition of new buildings and an increase in the value of an existing building. The former cannot be compared with land, as the quantity of land cannot be increased. But an increase in the value of an existing building hardly ever occurs, though an increase in land value is the general rule in urban districts. The causes which may—and occasionally do—raise the standard of structural value are increases in the cost of labour or building materials. After a successful strike in the building trade it is quite possible that a particular structure may be worth more than it actually cost to build. The changes in the cost of building are not, however, always in an upward direction, and the element of decay is continually at work to produce depreciation.

These being the facts of the case, the question cannot be determined by assuming that the "burden" of rates is in each individual ratepayer's case counterbalanced by the "benefit" accruing from their expenditure. For the "burden" is apportioned according to the value of site and structure together, but the "benefit" accrues in relation to land value only. Under these conditions it is clear that properties with the highest proportion of structural value and the lowest proportion of land value must be charged with an undue share of the "burden." Conversely, properties with a low proportion of structural value and a high proportion of land value must be charged with less than their fair share of the "burden," while reaping the largest part of the "benefit." And the sites which are vacant, or occupied by unused buildings, receive their full share of the "benefit," but escape the "burden" altogether.

An expenditure of 10s. per annum by the local authority may be met by a payment of the same amount by the occupier; but that is not the end of the matter. Wise expenditure which, under the present system, involves a charge of 10s. per annum upon the occupier, usually produces a much greater increase in the value of the site of the building he occupies. He has therefore to pay, say, 20s. per annum more, viz., 10s. in rates and 10s. in additional rent. To put the same point minutely, the steps are three. First, the service administered by the local authority enhances the annual land value of the property by x . Secondly, the owner seeks to realise this enhancement by way of additional rent. But, thirdly, the local authority levy a rate of y upon the occupier; and, as sensible occupiers do *not* pay twice over for the same value, the owner's share of the benefit is limited to $x - y$. It is clear that the owner benefits according to the excess of x over y : in other words, the better a town is administered the larger is the benefit gratuitously conferred upon owners in the net increase of land values. And the system which thus makes munificent gifts to landowners at the public expense is the same that hampers and burdens owners and occupiers of buildings and machinery. The idea that competition between local authorities and landowners will "keep the value down to the actual cost" of sewage schemes (or any other benefit) is devoid of foundation. As a matter of fact, there is no such competition. Each local authority is responsible for the sewerage of its own area, and each landowner constructs the drains for his own estate according to plans approved by the local authority. Within the area of that authority the only competition is that between persons intending to use the drainage system by becoming tenants of the houses, and the effect of this competition is to *increase* the value resulting from the system, not to keep it down.

These considerations infallibly indicate their own remedy. It is to adopt the measure of "benefit"—land value—as the measure of "burden" also. And, as it has been shown that the same remedy will stimulate and encourage building and industry of every kind, the case for its adoption is overwhelming.

EDGAR HARPER

VOICES FROM THE INDIAN UP-COUNTRY: SOME NATIVE IDEAS ON ECONOMIC SUBJECTS.

WHEN any great economic question affecting India or the people of India is under discussion, it is often gratuitously assumed that the same conditions obtain and the same ideas are prevalent

as would be the case in Europe or America. In other words, the existence of the "economic man," with all his marvellous attributes, is postulated for the East as well as for the West. The trite adage about new wine and old bottles is ignored. The most immaculate of economic theories are applied to conditions often wholly uneconomic. The personal equation is left out of account.

There can be no more profound mistake than this *doctrinaire* treatment of Indian economic problems, and nothing more calculated to lead to serious practical mistakes. There can be no greater contrast than the great *Mofassal*,¹ with its torpid, sluggish, stereotyped ideas and methods, and the brisk and business-like Presidency Town, with its stock markets and Exchange Banks. It is the whole difference between what Sir Henry Maine has called "status" and "contract." We see in an up-country station a branch of a great Presidency Bank conducting its business alongside a Marwari money-lender, who divides his time between buying up grain destined for the Calcutta market, and perhaps ultimately for London or St. Petersburg, selling piece goods made in Manchester from raw material which has possibly found its way thither from that self-same up-country station, and making loans at high rates of interest, and often on indifferent security, to the cultivator of the raw material: the East and the West working side by side—but who can lay his finger on the point of contact?

Perhaps the most prominent and distinctive characteristic of the industrial and financial world as we know it in the West is the general diffusion of confidence and credit, the foster child of confidence, which has rendered possible the transaction of the most important business operations between individuals often unknown to each other in distant cities and remote parts of the country. While the personal element is never entirely lost sight of, one of the most important elements in this type of business is the credit of the "firm." In the East credit is far more immediately personal in character. Outside the Presidency Towns firms, in the European acceptance of the term, are few and far between. Where old-established native firms exist, their credit is generally gauged by the personal character and business reputation of the individuals who are for the time being conducting them. Distance and want of personal knowledge thus operate as barriers to transactions between individuals in different towns and different parts of the country to an extent which never obtains in England, France, or Germany. The native of India is ever suspicious of dealings with strangers, particularly if they be of different language, religion, and caste.

¹ *I.e.*, the up-country districts as distinguished from the Presidency Towns:

This fact is well exemplified in the comparatively scant employment of credit instruments which depend on personal security for remittance purposes. It would appear that in parts of the *Mofassal* at the present day the use of this kind of credit instrument is rather on the decrease than otherwise. It is possible that the failure of several European firms of recent years has been conducive to this result. The use of *hundis*, or cheques,¹ is, however, of long standing in India, and is still much in vogue between merchants and bankers of approved reputation and integrity. It seems likely that the now general use of Government currency notes for remittance purposes, and possibly, to a less extent, the value-payable system of the Post Office, have contributed locally to a decrease in the use of *hundis*. The demand for Government currency notes for the purpose of making remittances is, in fact, so brisk in most up-country stations that they can only be had during the months between the crop-cuttings at a premium which rises at times up to one per cent., the money-order rate. So favourite a form of remittance has this become that were the Treasuries under the obligation of giving notes for rupees freely on demand, then Government would be, in effect, undertaking to remit money for the public free of charge, and the money order business of the Post Office would dwindle to a negligible quantity.

It speaks volumes for the confidence of the Indian banker and merchant in the Post Office that currency notes are frequently sent in large amounts in ordinary registered letters uninsured.² The notes are generally cut in two, and the two halves sent separately, but whole notes are also sent. Where it is thought necessary to resort to insurance, the notes are seldom insured up to anything like their full value. In fact, some of the methods of remittance now prevalent in India would be considered to be fraught with great risks in England or America. It is no uncommon thing to find rupees in quantities up to Rs. 50,000 despatched by rail as ordinary uninsured goods packed in wooden boxes, where a branch bank in England, having occasion to make an equivalent remittance in cash, would send a highly-paid servant in charge of it.

It might be concluded from this example that the Indian merchant or trader does not consider risks in a serious light. But such is not the case. Perhaps the ultimate cause of that apparent

¹ The *hundi* really partakes more of the nature of a bill of exchange than an ordinary cheque. *Hundis* are of two kinds, one payable on sight, the other payable after a specified term. They rise to a premium or fall to a discount according to the state of the money market.

² In India, postal registration and insurance are two different things.

lethargy and apathy, which has been laid to the charge of the Indian merchant, is to be found in the psychological fact that he is by nature reluctant to take what we should regard as legitimate commercial risks in cases where personal initiative and private judgment are called into play. But if he is reluctant to accept ordinary risks where the prospects of profit are high, he is still more averse to risking his money in enterprises which yield but a small return, unless, indeed, the security be absolutely above suspicion, as in the case of Government bonds.

But it would, perhaps, be a mistake to attribute this reluctance to the taking of moderate risks for moderate profits, this apparent inability to grasp the soundness of the principle of "small profits, quick returns," solely to psychological causes. Some part of the result, possibly a considerable part of it, must be attributed to the profound and fundamental differences between the conditions under which trade is carried on in an agricultural country like India and an industrial country like England. Great risks are inseparable from all agricultural operations. The agriculturist must be prepared to accept the "risk of the seasons." But the most distinctive feature of Indian *Mofassal* trade is the exchange of crops for commodities. All internal trade is ultimately dependent on the success of the crops. If the crops are a failure in any locality trade is necessarily slack. The risk of the seasons, therefore, falls in a measure on the trader as well as on the cultivator.

But, besides the risk of the seasons, there are also innumerable incidental risks; risks of damage by fire, the innumerable risks inseparable from sending goods long distances by rail and river. In England some of these risks are reduced to a negligible quantity, while others are covered by insurance. The Indian trader is his own insurance agent. He takes all the risks himself, instead of paying others to take them for him. It seems, then, only reasonable that the insurance premiums, which, in England, would be paid to half a dozen companies, should find a place in his profits.

But these risks become to a great extent eliminated by reason of the fact that the trader is nearly always a money-lender, or, as he calls himself when his transactions are considerable, a "banker." The conditions have evolved the trader-money-lender and the merchant-banker.¹ In years of bad crops the *raiyyat's*

¹ It is a significant fact that the combination of merchant and banker has found favour with certain big Calcutta firms, which have started regular banking departments in conjunction with their ordinary business.

necessity is too often the money-lender's opportunity. The trading part of his concern may wane, but the money-lending part will more than compensate for any loss on trade. As a money-lender he lends more money, he purchases at Civil Court sales, he forecloses on mortgages, he drives hard bargains generally, and his aggregate risk is small. If there is risk about the trading part of his business, there are very few risks about the money-lending part of it. Where he appears to take risks in individual cases, he takes no risks in the aggregate, because he is assured by the experience of generations of ancestors who have lent money for years at high rates of interest on doubtful security that he will come out on top in the long run. He is like the bookmaker amongst the crowd at a race meeting. As the professional risk-taker he arranges matters so that he ultimately takes little or no risk.

Take the case of money-lending in the Darjeeling Terai. Here the average rate of interest is about 60 per cent. The *Kaya*,¹ who knows well his debtors' proclivities for bolting away into Nepal at a moment's notice, is quite ready to lose his principal in 20 per cent. of cases, and is still cheery in the prospect of making a handsome income out of money-lending. His risks in the aggregate are really *nil*. He must come out to the good in the long run.

The cardinal idea of Western banking at the present day is to borrow money at low rates of interest in order to lend at higher rates. Now the Indian banker is, in the main, a lender as distinct from a borrower. His methods are in many respects akin to those of the Jew of the Middle Ages in Europe. He is, in fact, only a "banker" by courtesy. We have seen that the merchant is generally a banker. It is still more true that the banker is generally a merchant or trader, or perhaps a landholder. It is from these sources that he derives the funds with which he transacts his money-lending business. He will not dream of availing himself of cheap money in Calcutta or Bombay in order to enable him to extend the area of his monetary transactions in the *Mofassal*. Money may be cheap in Allahabad, but it will make little difference to Patna. There is, in fact, something inorganic about *Mofassal* banking. The rates of interest are for the most part stereotyped by custom, and money is not in a fluid condition. The Indian banker does not care about lending his money far afield, because he likes to see what his debtors are doing with it.

We have seen that the Indian banker is a lender as distinct from a borrower. This statement needs some qualification,

¹ Marwari.

because there is probably a good deal of diversity in local custom and local ideas in respect of deposit banking. It is possible, indeed, that there is a gradual movement in progress in the direction of regular deposit banking. The writer is informed on good authority that the system of deposit banking was known in some of the Assam districts at a time when there were very few resident Europeans. It is quite a common thing now for Europeans at headquarters stations to keep deposit accounts with native bankers. As regards ordinary village *mahajani*,¹ careful inquiries go to show that in some instances the wealthier *raiyats* do deposit their money with the local money-lender and get six per cent. for it. It seems probable that the *mahajan* would take as much money as he could get at this rate, but that people will not readily deposit their savings. There can be no doubt that the old order did not contemplate a state of affairs in which the money-lender is a borrower as well as a lender, but there can equally be no doubt that the old order is changing. In what local areas, under what influences, and to what extent the change is manifesting itself, are very difficult questions, and the attempt to find a satisfactory answer to them would entail far more extensive inquiries than the writer has been in a position to make.

There cannot, perhaps, be found a better antidote for *doctrinaire* reasonings than a sober analysis of the views of the ordinary native of India about the coin with which he is most familiar.

It has often been assumed by writers on economics, both before and since 1893, that the ordinary native of India would at once grasp the full import of the closure of the mints to the free coinage of silver. No more profound mistake could possibly have been made. The fact is that in spite of the extraordinary spread of education, and particularly English education, of recent years, even the educated classes remain, for the most part, ignorant of monetary affairs. They are as far from understanding them as they were in 1893. The chief reason of their apathy with regard to these matters is probably to be found in the fact that the educated man has, by dint of long-standing social custom, become imbued with the idea that he is by nature excluded from active participation in trade and commerce. The Marwari class has long enjoyed a practical monopoly of the banking and commercial business of India.

But by an irony of circumstances those who have most to do with the handling of money are often the most ignorant as to its real nature. The young Marwari is brought up from his earliest

¹ Money-lending.

days on business. Although his early mental *pabulum* is money, his knowledge of money in the abstract is small. One meets with educated Marwaris more than formerly, but the fact remains that the great bulk of *Mofassal* business is conducted by men who have never received any form of general education. The ordinary Marwari, like the ordinary village *mahajan*, does not in the least grasp the true significance of the changes which took place in 1893, when the Indian Mints were closed to the free coinage of silver.

The great cultivating and labouring classes occupy a large part of their leisure time, which is considerable in the case of the former, in discussing the rupee. The rupee, a stern necessity of existence, and the Law Courts, too often regarded—"tell it not in Gath"—as a means of diversion, are as the very breath of life to the ordinary *raiya*. But it does not appear that he has arrived at any very definite ideas about the rupee. He has unlimited confidence in it. He knows that it will be accepted freely in exchange. Is it not the *Sirkar's*¹ coin? Then all must be well with it. He has never heard about the closure of the mints, and would not take the slightest interest in the matter were anyone to take the pains to explain it to him. This is *la haute finance*; it is the *Sirkar's* business.

Here and there a few goldsmiths may still be found who take advantage of the simplicity of the poorer cultivator and labourer by selling him silver for ornaments at one rupee per tola. English *Memsahabs* have occasionally been beguiled in the same way. But the *Sonar* would in these days find this risky business in most parts of the *Mofassal*, because it is now generally understood that you can buy more than a rupee's weight of silver for a rupee. The cultivator, in common with the merchant, banker, and trader, is now familiar with the fact that the rupee at present contains about $10\frac{1}{2}$ annas' worth of silver instead of 16 annas' worth as formerly. It is for this reason that he does not now melt it, when he wants silver for ornaments.

As might be expected where the field for the observation of human phenomena is so vast as is the case in India, the most diverse ideas are found to prevail in respect of this change in the character of the rupee, varying from the most fantastic to the most severely practical. Among the more fantastic which have been brought to the writer's notice is the belief, at one time, probably, general, that gold and silver can be produced by methods of alchemy known only to certain kings, seers, and holy men.

¹ The Government.

One of these stories is to the effect that the Moghal Emperors were enabled, by arts known only to themselves, to produce pure silver by mixing the root of certain grasses with zinc or copper, and that the silver thus produced is superior in quality to the silver produced, in these more prosaic days, from mines.

Those who would repudiate any connection with this belief still entertain the idea that silver has somehow steadily deteriorated in quality since the time of the Moghal Emperors, and that it is even at the present day further deteriorating. The idea is that the silver in the rupee (after extraction of all alloy) is steadily deteriorating from issue to issue, just as the silver sold in the market is deteriorating. The silver in the latest issue of rupees is thought to be inferior in quality to the silver contained in previous issues down to the year 1840. The silver of that year's issue is considered to have been exceptionally good, but not quite so good as the older issue of 1835, the best silver of all being the silver of the rupees coined by the Mohammadan Emperors.

It seems curious that this belief should have gained acceptance among Hindus, but such appears to be the case. The fact reflects the innate conservatism of a mind habituated to search for Utopias in the past rather than in the future.

Superposed on this belief is the idea that the rupee now contains *less silver* than formerly. Sometimes the two ideas are confused to a greater or less extent, according to individual idiosyncrasies, but the latter idea, whether interwoven with the former or found separate from it, as in the case of the more enlightened, who now repudiate all belief in alchemy, is certainly widely prevalent. The belief briefly amounts to this—that, whereas the coins issued by the Moghal Emperors were pure silver coins, those issued in the early days of the Company contained an admixture of alloy. So far so good, but it is further believed that the amount of silver in the rupee of successive issues since the year 1835, when the rupee was first made legal tender throughout India by the Company, has been steadily on the decrease, the last issue of rupees containing less silver than preceding issues. The writer once had occasion to question an English-speaking clerk, a Kayastha by caste, and a man of some education, about this. After appearing to be almost satisfied that he was wrong in his ideas on the subject, he turned the palms of his hands outwards, his face suffused with a gentle smile which assumed the existence of a mutual understanding on the point, and replied: "Of course, sir, there must be more silver in it (*i.e.*, the 1840 coin), or why should Government withdraw it?" It certainly seems strange

that the fact of Government's withdrawing a coin from circulation should be accepted as evidence of its intrinsic superiority. *Quot homines, tot sententiæ.*

Another argument commonly in vogue is to the following effect :—formerly the rupee contained 16 annas of silver, whereas it now contains between 10 and 11 annas of silver ; what, then, can be more obvious than that the rupee contains less silver than formerly? No greater travesty of logic could well be conceived. In reality the premisses of the argument merely amount to this—that the value of the rupee, whether measured in gold or commodities, has become divorced from the value of the silver it contains, whereas formerly the value of the rupee was the same as that of the silver it contained, or very nearly so (after making allowance for a 2 per cent. seignorage). The “ annas,” in fact, are different in the two cases. In the former case the “ anna ” is the one-sixteenth part of a freely minted rupee, in the latter case it is the one-sixteenth part of a monopoly rupee.

Innumerable dangers were foreshadowed by the writers who, before 1893 and also during that year, criticised the Government policy in closing the mints to the free coinage of silver, but no one seems to have been so prescient of the future as to foresee that a pseudo-argument of this kind would be used to bolster up a preconceived idea entertained probably by the vast uneducated classes generally, and by the educated classes to some extent, that the Government of the King-Emperor is—in plain language—deliberately depreciating the current coin of India. Even still more extraordinary would have appeared to them the fact that the people at large view this imagined depreciation with the utmost complacency. Picture the state of mind of the people of Great Britain, if, on waking to read their papers one morning, they found that the Government of the day had resolved on a measure to broaden the basis of taxation by putting a little less gold into the sovereign.

But how shall we explain this extraordinary complacency in spite of such a belief? As has been already remarked, the native of India has unbounded confidence in the rupee simply because it is the *Sirkar's* coin. If a small section of the educated classes be excepted, he is hopelessly ignorant of the nature of the changes which have taken place in it, or, to be more correct, in its relationships to the monetary world and to prices, since Government decided on its memorable policy of closing the mints to the free coinage of silver. It is sufficient for him that it bears the “ imprimatur ” of authority in the form of the King-Emperor's head.

He believes that this gives it some intrinsic value over and above the value of the silver it contains, but he has not the least idea how this result is brought about. He regards the coinage as peculiarly an affair of the *Sirkar*, in the same way as he regards the performance of religious functions as an affair of the Brahman, or the making of shoes as an affair of the Mochi.¹

There can be no doubt that the Oriental's distaste for alloys is at the root of many of these erroneous impressions about the rupee. This distaste is itself easily explained if we reflect that the ordinary native goldsmith has no means at his disposal for separating out the component parts of an alloy. It is not possible to put matters to a practical test, to melt down the rupee and separate out the pure silver it contains and weigh it. The Indian does not understand alloys. What he does thoroughly understand, and what he best likes, is pure gold and silver. This is, perhaps, the secret of a good deal of the confusion that exists in his mind about the coinage.

This discussion of the rupee leads us naturally to the vexed question of hoarding. There can be no doubt that during the last two or three decades a great change has come over the mind of the Indian public in respect of hoarding. For some reason or another the practice is greatly on the decrease. This has often been represented as a direct and obvious result of the closure of the mints in 1893. In the discussions which preceded this step it was often assumed that the change would result in the liberation of large quantities of rupees from hoards, and many writers on the subject now speak as if this were exactly what did happen. It seems probable, however, if we take account of the views that prevail on the subject at the present day among native bankers and merchants, that the closure of the mints had no effect, or practically no effect, in this direction.

In the first place it seems very doubtful if rupees, as such, were ever hoarded to any great extent, at any rate since the early days of the Company. It may be noted at the outset that the writer assumes a capital distinction between "hoarding" proper and merely putting by rupees against a rainy day. The element which distinguishes "hoarding" from mere "saving" seems to be the indefinite nature of the ultimate object. Rupees are hoarded primarily with the object of creating a pile. Rupees are saved for some more or less definite ultimate purpose. It is necessary to insist on this distinction, because the two ideas are often confused. Now the evidence available on the question all goes

¹ Worker in leather.

to show that it is extremely doubtful if the rupee (*i.e.*, the British coin) was ever hoarded to anything like the extent generally supposed. It seems far more probable that it was the old Moghal coins, already referred to, which were in requisition for the purposes of hoarding. Marwari bankers still take pleasure in recounting how they made fine profits by buying and selling these coins in the old days. It appears, however, that about fifteen years ago (*i.e.*, about the time of the closure of the mints, whether before or afterwards the writer has been unable to ascertain), this business received a decided check by reason of the fact that the Moghal rupees came to be largely counterfeited in Calcutta and other places.

Apart, however, from transient causes of this nature it seems probable that a great secular change had begun to manifest itself in the mental attitude of the Indian public towards hoarding long before the closure of the mints was thought of as a serious practical issue. The hoarding classes have become more business-like and more alive to their own interests. The *zamindar*, instead of hoarding, now turns to money-lending as a means of making a profit out of surplus cash; or, if he be of careful disposition, purchases Government securities, or invests in railways. The increase of business concerns has given a fillip to investment. The big *raiyat*, who formerly hoarded, now purchases more land, or lends money to his poorer brethren.

The purchase of land has come to be regarded as a peculiarly profitable investment. The price of land has risen much of recent years, and there is every prospect of a further rise. The returns from land are specially large since the price of most of the staple food grains has gone up. Land purchases seem to have become a favourite type of investment amongst the bigger *raiyats* in the cadastrally surveyed districts of Bengal, where title is now more easily established in the Courts, and the general conditions of tenure more secure, than was formerly the case.

Whatever be the more proximate causes of this change of ideas in respect of hoarding, it seems almost certain that the change has little or no connection with the altered *status* of the rupee, because, as has been observed, it is very doubtful if the rupee, as issued in the days of British rule, has ever been hoarded to anything like the extent to which it is supposed to have been hoarded; and, on the other hand, the change seems to have been in operation long before the closure of the mints. But, it may be asked, if this be correct, how can we account for that increase in the volume of the currency which is commonly supposed to have taken place

during the years immediately following the closure of the mints. The orthodox explanation of the fact is that a large quantity of rupees came out of hoards, and that the melting of rupees for ornaments was automatically stopped. Now, allowing that the supposed increase to the currency at that period has not itself been exaggerated, it appears highly probable that the former factor has been exaggerated as an explanation of the increase. It has never been proved that the increment to the currency was so great that it could not be fully explained by the complete stoppage of the outlet afforded by the melting of rupees for ornaments taken in conjunction with another factor to be noticed presently. It seems likely that a favourite method of obtaining silver for ornaments was through the medium of the currency. People would not think much of the seignorage so long as the stamp of the Queen's head on the coin afforded a guarantee of a certain standard of purity of the silver. The Queen's head was the hall-mark. But the stoppage of this source of shrinkage would not of itself suffice to explain an "increase" in the currency, so long, at any rate, as the issues remained inconsiderable. It seems likely, however, that the stoppage of issues was more than counterbalanced by that flood of rupees which, as Mr. Probyn tells us,¹ during the years both preceding and succeeding the closure of the mints, welled into the country from outside. These two complementary factors seem to afford a sufficient explanation of the phenomenon, and it does not seem necessary to postulate a theory, otherwise unsupported by good evidence, that rupees, in large sums, were liberated from hoards.

We have seen something of the views of the Indian banker, trader, and cultivator with regard to silver; let us now see what are the ideas prevalent in the *bazaar* with regard to gold. What does the Indian banker and merchant in the *bazaar* think of the gold standard, exchange, and the sovereign? We have already seen that he does not understand much about the gold standard, and exchange, but he has some definite views on the subject of the sovereign, which in Bengal he calls the "guinea." The matter is of some importance, because on a correct estimate of those views must depend in one of its phases the solution of those momentous questions—how much gold is it necessary for Government to accumulate in the paper currency reserve and the gold standard reserve before committing itself to the policy of issuing gold more or less freely in exchange for silver or Government currency notes at a fixed rate, and what form should the gold issues take? Now

¹ Mr. L. C. Probyn's *Indian Coinage and Currency*, 1897, pp. 66, 67.

the matter is to this extent simplified that the demand for gold is of three kinds—the demand for export, the demand for ornaments, and the demand for currency. The first involves ideas of enormous complexity, and is a question altogether beyond the scope of the present discussion. The demand for ornaments is, in some respects, similar to the demand for rupees for the same purpose in the days when rupees were freely minted, only the demand is, of course, much more limited. The demand for this purpose is stimulated to some extent when exchange is low by reason of the fact that it is then obviously profitable to obtain gold, in such quantities as it can be readily obtained, at the rate of Rs. 15 to the pound sterling. The demand for ornaments is, however, still strictly limited, as the average purchaser much prefers pure gold to the gold of the sovereign, 11/12 fine. It should be remembered that the ordinary *Mofassal* dealer has no clear knowledge of the exact degree of fineness of the “guinea,” so that he does not bother himself with niceties in the matter of figures in buying and selling it as a medium for the manufacture of ornaments, even when exchange falls appreciably, or, what amounts to the same thing, when the rupee price of bar gold rises appreciably. Even if the gold of the sovereign be regarded as a possible substitute for pure gold when exchange falls, still it must be remembered that the demand for gold of *any* kind for the purposes of ornaments is, in its nature, a strictly limited one, and incapable of any extraordinary expansion. The really serious demand at such times will be the demand for purposes of export.

Next, as regards the demand for currency, the sovereign is already in circulation to some extent in many of the up-country towns. A certain number of sovereigns, varying probably between 100 and 2,000 or 3,000, would be found in the *bazaar* of every headquarters station. The circulation of the coin is, however, chiefly confined at present to transactions between the larger traders and bankers, or between them and Europeans. The demand for currency purposes is so far inappreciable, and it is believed that the district treasuries, as a matter of fact, experience no difficulty in supplying sovereigns freely when demanded.

The prevalent idea about the sovereign is that it is the equivalent of Rs. 15 in exchange, and that it can be obtained readily at all Government Treasuries at that rate, either in payment of claims against Government, or in exchange for rupees. It is not at all generally realised, even by the *Mofassal* treasurers themselves, that Government is not under the obligation of supplying sovereigns freely on these terms, and it appears likely that Treasury officers

rarely have occasion in practice to refuse to supply sovereigns freely when demanded.

These are facts fraught with the greatest significance, because they go to indicate that if Government were immediately to place itself under the obligation of supplying sovereigns on demand at the rate of Rs. 15 to the sovereign, either in payment of claims against Government, or in 'exchange for rupees or notes,¹ the demand for currency purposes, and, for that matter, for the purpose of melting, would be no greater than it is at present. It is the writer's conviction that if the condition of the paper currency reserve and the gold standard reserve appeared to justify, so far as general external conditions are concerned, the free issue of gold to-morrow, no more sovereigns would be taken out of the *Mofassal* treasuries for the purposes of currency, nor, indeed, for the purpose of ornaments, than would be the case under existing conditions. In other words, there would be no rush for gold for these purposes such as is commonly depicted in discussions on the subject. The serious demand, of which it would be necessary to form a competent estimate, would be the demand for export.

So far it has been tacitly assumed that the gold issues, under a free gold standard system, would be in the form of the English and Australian sovereigns, which are at present legal tender. In an article on "India's Present Monetary Condition," which appeared in the *ECONOMIC JOURNAL*, August, 1907, the suggestion has been put forward that if five and ten rupee pieces of greater purity than the sovereign were coined, they would be more popular than that coin. There can be no doubt of the correctness of this observation. It seems highly probable, in fact, that if a pure gold ten-rupee piece were issued, it would get into circulation so quickly, and would be taken so freely for the purpose of melting, that it would become a serious source of embarrassment to those responsible for the plenitude of the gold reserves. To start free gold issues with such a coin would probably necessitate the accumulation of a far larger gold reserve than would be the case with sovereign issues, and the whole question would become much more complicated in character.

The writer now feels that he ought to put forward a brief *apologia pro vita sua*. He may be charged with generalising from

¹ The distinction seems, to the writer, unimportant, because if any serious local demand for sovereigns arose, they would rise to a premium as compared with rupees, and everyone having claims against Government would naturally seek to be paid in sovereigns rather than in rupees, while Government revenue would be paid in rupees and not in sovereigns. The distinction does not seem to provide any real safeguard against a sudden drain of gold.

a too narrow range of facts. He has already indicated several directions in which his conclusions may need qualification. There may be others. It is only with very great diffidence, and after a careful consideration of possible objections, that the writer has brought himself to the statement of these conclusions. It is possible, in fact probable, that deeper and more extended inquiries would show that some of them need considerable modification. It seems almost hopeless to attempt to make any general statement about a country in which local conditions are so varied and so divers-hued as they are in India. Take an instance from agriculture. The very design of the *raiya*'s ploughs varies from one district to another. In matters of trade and money, however, there is one fact that appeals to the writer as making to some extent for uniformity and simplicity. It is the fact that the Marwari class is ubiquitous. The great bulk of *Mofassal* trade is in their hands. Probably no one knows better than the Marwari how to accommodate himself to local conditions, but it seems probable that his general ideas of trade and money, like his general methods of business, are much the same, whether he resides in Simla or Tutocorin, Poona or Dacca, Karachi or Chittagong.

The cases in which direct contact with *Mofassal* ideas on economic subjects brings home to one the necessity of exercising great care in applying large theories to practice in Indian economic matters, particularly in monetary matters, might be multiplied *ad nauseam*, but the writer hopes that he has succeeded in giving a few instances which may serve to bring into clearer perspective the danger of jumping to too hasty conclusions when the theories of the West are applied to the practices of the East, unless, indeed, some discrimination be brought to the task, and due allowance be made for the personal equation as exhibited in the manifold and sometimes mysterious workings of the Oriental mind.

H. R. PERROTT

HOTELS AND FOREIGN VISITORS IN SWITZERLAND.

A JUBILEE Pamphlet entitled "Jubiläumsgedenkschrift" (1882-1907) was published in Basle last year by the Central Bureau of the Corporation of Swiss hotel proprietors, in commemoration of the twenty-fifth year of its existence. This pamphlet is full of very important facts about Swiss hotels; an excellent map is appended to it, upon which the towns and places most frequented by foreign visitors are carefully marked. Comparisons are instituted between the number of hotels reported for the years 1880, 1894, and 1905, and the figures quoted in the pamphlet

show that the number of hotels increased during these twenty-five years unusually rapidly. In the year 1880 the hotels for foreign visitors numbered 1,002, and the total number of beds was reckoned at 58,137. The report shows an increase of 70 per cent. during the next fourteen years, and in 1894 the total number of hotels for foreign visitors in Switzerland had reached 1,693. The year 1905 shows a total of 1,924 hotels, an increase of 93 per cent. as against 1880, and of 15 per cent. as against 1894. The number of beds for foreign visitors increased gradually until it amounted in 1891 to 88,634, and in the year 1905 it reached a total of 124,068. We see from these figures that during the first period (1880-1894) the increase in the number of hotels was larger, while in the second period (1894-1905) the increase was larger in the number of beds. The average number of beds was 58 in 1880, 52 in 1894, and 64 in 1905.

The hotel businesses are for the most part conducted by the year. In the six Cantons of Appenzell, Berne, Lucerne, Schwyz, Thurgau, and Wallis, however, there are a greater number of businesses conducted by the season only; these Cantons lie in the most mountainous districts, where visitors do not care to penetrate during the inclement winter weather. Graubünden has a winter season, on account of the opportunity it affords for the exercise of various winter sports, and it is therefore not included in the half-dozen mentioned above. The hotels carried on by the season are larger than those carried on by the year, the former numbering 70 beds per hotel, and the latter 60.

The pamphlet draws special attention to the fact that the Canton of Graubünden has the largest number of what we may term giant hotels, and this is probably due to the Canton being frequented mostly by American visitors, who like to be entertained in American fashion.

The pamphlet deals at great length with the matter of finance, and without referring in detail to the various tables shown, we will draw the general conclusion that the capital invested in hotel businesses amounted to about £12,780,000 in 1880, and to about £31,100,000 in 1905. The table giving the returns for 1880 and 1905 is as follows:—

	1880.	1905.
Receipts	£2,112,000	£7,548,680
Expenditure	1,440,000	5,255,200
Gross profit	£672,000	£2,293,480
Depreciation of immovable goods, 1·5%, and of movable (8%)	379,200	837,600
Net profit	£292,800	£1,455,880
Or in per cent. of the capital	2·3%	4·7%

These figures speak for themselves, and it is surely unnecessary to comment further upon the steady increase they denote in the number of foreign visitors to Switzerland.

The pamphlet next gives some very interesting information about the hotel employés. The total given for 1880 is 16,022 persons; an increase of 49 per cent. is shown in the year 1894, the total having reached 23,907, or 11,340 employés in yearly businesses and 12,567 in those conducted by the season. In 1905 the numbers stand at a total of 33,480, or 14,252 employés in yearly businesses, and 19,228 in those carried on by the season. The number of employés has increased in about the same proportion as the hotels, for the report shows 16 employés to each hotel in 1880, 14 in 1894, and 17 in 1905. The nationality of the employés is mentioned for the year 1905, the percentage being about 38 foreigners to every 100 Swiss.

A peculiarly interesting table is given in the report referring to the salaries of the hotel employés. It must be borne in mind that all employés receive board and lodging, the hotel proprietors reckoning the average cost of each employé as 1'2s. per day. The duration of the engagement of a person in a business conducted by the season is calculated at 100 days. The total amount of salaries in 1905 stands at £1,078,720; the average yearly wage of an employé, including board and lodging, is reckoned at £57'2744, and the average wage of an employé engaged by the season of 100 days only at £13'6488. These amounts do not include the "tips" that may be bestowed by visitors. These tips would, of course, increase the salaries of those employés into whose hands they fell, but as many of the employés do not come into contact with the visitors, such tips cannot be included in the general average.

The pamphlet contains two more extensive tables that may be of interest to English readers; the one has reference to the nationality of the foreign visitors to Switzerland, and the other to the percentage of beds occupied in the various months of the year. The report does not give particulars as to how the percentages with regard to nationality were obtained, but we may conjecture that each hotel proprietor preserves a record of the visitors who make use of his establishment, and probably he takes note of their nationality also. Germany stands highest on the list, the number of visitors from that country being 30 per cent., and Switzerland itself supplies the next highest number of 21 per cent. England shows 15 per cent., France about 12 per cent., and America about 6 per cent. The last on the list are Italy with about 3 per cent., and Austro-Hungary with about 2'5 per

cent. An interesting note is added in this connection to the effect that both hotel proprietors and employés prefer the English and American visitors; these stay longer on the whole, and although their demands may be rather high, they exhibit a generous and open-handed nature.

The standard of the year's prosperity is the percentage of beds occupied. Thus an average of 25 per cent. beds occupied is regarded as a *bad* year, 26 per cent. to 28 per cent. is considered a *poor* year, 29 per cent. to 32 per cent. is reckoned a *middling* year, 33 per cent. to 36 per cent. is a *good* one, and 37 or upwards is a *very good* year. Since 1894 there has only been one very good year, while one good year, four middling years, five poor ones, and one bad year are reported. The highest percentages of beds occupied are found in July and August, their averages being 58 per cent. and 76 per cent. respectively. April, May, and June show respective averages of 20 per cent., 22 per cent., and 30 per cent., while the average for September reaches about 40 per cent.

Efforts are being made to entice foreign visitors to Switzerland during the winter months to such places as St. Moritz and Davos, where winter sport offers facilities for enjoyment, but the hotel proprietors report that the increase of visitors in winter diminishes the number of summer holiday-makers.

It is very easy to deduce from the facts stated in this Jubilee Pamphlet that Switzerland's foreign visitors are of the utmost importance to the prosperity of the whole country; they set money flowing in various directions, and exercise a material influence upon the general finance of the land.

A. MURIEL FARRER

An Essay on the Causes of the Decline of Foreign Trade, consequently of the value of Lands of Britain, and of the means to Restore Both. Begun in the year 1739. (London, 1744.)

THE authorship of this tract is a matter on which different opinions have been expressed. At one time the balance of evidence appeared to me in favour of its ascription to Sir Matthew Decker, as stated on the title-page of one edition. Since then, a further examination of the material has led me to doubt this conclusion, for reasons which can be briefly stated.

Before turning to the examination of this evidence, a word is necessary as to the authorship of another tract, the "*Serious*

Considerations on the several high Duties which the nation in general (as well as its trade in particular) labours under, &c. By a well-wisher to the good people of Great Britain. London, 1743, which has been generally attributed to Decker. On this point, contemporary evidence is unanimous. The book is stated to be written by him by well-known writers, and the plan which it suggests as a substitute for existing taxes, namely, a tax on houses, as a test of consumption, was evidently a matter of considerable discussion. It was treated as well worth consideration by a writer like Fauguier, and was respectively supported and attacked by others. One hostile writer in 1757 speaks of it as "a Proposal commonly called Sir Matthew Decker's Scheme." So far, however, as the tract is concerned, it was not published under his own name, and the references to his authorship appear to be subsequent to his death in 1749. Internal evidence, so far as it goes, points to his authorship. It was obviously written by someone having considerable knowledge of the East India Company's affairs, and is much more like the work of a man of affairs than that of a professional writer. The style is simple and direct, and somewhat resembles the few letters of Sir Matthew Decker which remain. Under the circumstances, there is little particular reason for doubting the accuracy of the view thus expressed. On the other hand, scattered contemporary statements as to authorship are not a very sure ground for certainty in the case of an anonymous pamphlet like that in question. This matter has been dealt with first because some part of the arguments against Decker's authorship of the "Decline of Foreign Trade" has rested on the incompatibility of the two works.

The "Decline of Foreign Trade" was published anonymously in 1744 by J. Brotherton, the title-page, however, recording that it was begun in 1739. In 1749, the year of Decker's death, a so-called second edition, but a mere reprint of the first, was issued in Dublin, bearing Sir Matthew Decker's name. In 1750 Brotherton published a second edition without any author's name, in which an addition is made to the Preface, containing these words: "The bookseller desiring a second edition, the opportunity of correcting the mistakes in the first was a sufficient inducement to comply with his request." A profession of willingness to make further corrections follows. This, of course, suggests that the author was alive, and though the process of printing and publication may have occupied some time in the eighteenth century, Decker's death in March of the previous year seems to put him out of the question.

On turning to internal evidence, the first matter which presents itself is as to the probability or improbability of two tracts propounding different schemes proceeding from the same hand. It is necessary, however, to point out that in both the leading idea is the levy of taxes according to the power of consumption, the house tax in the "Serious Considerations" being taken as a test, while in the "Decline of Foreign Trade" a schedule of consumption of luxuries is drawn out. Again, in the "Serious Considerations" a tax on the consumption of tea is proposed. But the alleged incompatibility of a common authorship of the two rests on the improbability of the two being written *at the same time*, a feature which is emphasised by the statement that the "Decline of Foreign Trade" was begun in 1739. Moreover, the author of the "Serious Considerations," in mentioning his proposal as one for taxing consumption, definitely distinguishes it from a General Excise, which he condemns as inquisitorial, adding that he opposed the excise measure of seven years previously, and advocates the house tax as a means of attaining the desired end, without any of the disadvantages associated with the excise. It is surely improbable that he would, at the very same time, be advocating a method of taxation necessarily inquisitorial. In the next place, the two works differ greatly in method and style. The one, the "Decline of Foreign Trade," is elaborate in arrangement, and somewhat turgid and involved in style, while the other reads like the brief deliverance of a man unaccustomed to beat about the bush, and anything but diffuse in the expansion of his ideas. He writes continually in the first person, a feature by no means frequent in the former tract. In addition, however, to these differences, there is one particular reason which increases the difficulty attending the hypothesis of Decker's authorship of this work. It contains a very definite attack on the monopoly and methods of the East India Company, with which, of course, Decker's interests were closely bound up, thus again negating the attitude taken by the writer of the "Serious Considerations."

In the matter of external evidence, there is considerable difference of opinion. Fauquier, in the second and third editions of "Ways and Means," 1756 and 1757, attributes the work to Richardson, about whom he clearly knows little or nothing. So, too, does Chalmers in 1783. On the other hand, Tucker ascribes it to Decker, in his *Brief Essay on Trade* in 1750. This leads to a reference to the same effect by Lord Townshend in a letter to this author. His authority, however, is of little value as he writes, "You will wonder, but it is very true that I had not seen

or even heard of Sir M. Decker's Essay on the causes of the Decline of Foreign Trade, till I found it quoted in your essay." But this renders still more important the withdrawal by Tucker in the next edition of the "Brief Essay on Trade" (1753) of any reference to Decker as the author of the tract in question. Under the circumstances, the omission of what was definitely stated three years before certainly seems to indicate the discovery and correction of a mistake. Postlethwayt, however, attributes the work to Decker in the "Universal Dictionary of Trade," in the editions of both 1751 and 1774, and also in "Great Britain's True System" in 1757.

The matter seems much as follows. About the time of Decker's death, there was for some reason or other a belief current that the work in question was due to him. As evidence of this, we have the Dublin edition, and the references by both Postlethwayt and Tucker, the latter of whom, at any rate, was not affected by the Dublin title-page, since he was referring to the quarto edition of 1744. In a year or two, however, Tucker sees reasons for abandoning this ascription, while Fauquier, who in his first edition makes no mention of any author, in his second and third editions attributes the work to Richardson.

Whether the work was by Richardson is difficult to determine; that rests mainly on Fauquier's testimony. But, leaving this aside, in the lights of the facts given above, certain conclusions seem well-established, namely:—

- (1) That it was not by Decker.
- (2) That it was not by the author of "Serious Considerations."
- (3) That the author was alive in 1750.

E. C. K. GONNER

THE LABOUR INSURANCE LAW IN HUNGARY.

KEEPING pace with industrial improvement Hungary is trying to establish effectively all those institutions for the protection of workmen which are necessary to peaceful social evolution. A notable manifestation of this endeavour was the passing of Act XIX. of 1907, treating of the insurance of industrial and commercial employes against illness and accidents. We should like to make the reader acquainted with the antecedents, principles and chief provisions of this Act as briefly as possible.

The ideas which led Germany in the 'eighties to a stupendous extension of institutions in connection with labour insurance took a lively hold also on the Hungarian Parliament.

In 1884, whilst discussing the industrial Bill, the House called upon the Government to draft a Bill for the insurance of workmen against accidents. The manufacturers were obliged by the industrial law itself to adopt and maintain in their factories at their own cost such measures as were necessary for the security of the workman's life and health. The same Act also encouraged industrial employees to found aid funds, and declared that where the majority of the employees decides to found an aid fund, the minority is also bound to join and to pay a certain percentage of their weekly wages for the maintenance of the fund.

Under the influence of a great mining catastrophe in 1885 Parliament declared the necessity for a law providing for the security of the workman's life and health, and also for the surviving dependants of workmen killed by accident.

The first Bill of this kind, entitled "Sick Benefits for Industrial and Factory Employees," was brought in by the Board of Trade in 1891, and soon became law. From lack of practical experience, this law followed the form of organisation existing in Germany and Austria: entrusting the insurance to district sick clubs, at the same time allowing sick funds to be founded by workmen of the same guild, by employers in their own factories, and also by private societies. The preamble of the Sick Benefit Bill promised the speedy introduction of a Bill for accident insurance; in the meanwhile sickness or cases of fatal accidents were attended to by the sick benefit funds.

The great number of the sick funds led to the dissipation of their strength, so that some of them were not capable of performing the task laid down for them by the law.

In the meanwhile the law treating of factory inspection, enforcing Government supervision of factories and industrial establishments, thereby taking the necessary measures for the physical protection of workmen, was framed in 1893.

Several plans were drafted by the Board of Trade for insurance against accident. These, however, were never carried into effect.

Public opinion felt more and more the necessity of this kind of insurance; as an example of this we may take the practice of the courts of justice which, in reference to the supervision law of 1893, demanded more and more urgently from the employers compensation for the workmen or their surviving dependants in cases of accidents happening during employment. This compen-

sation often reached a very substantial sum. Private insurance societies were by these means brought into a flourishing condition, as the employers transferred their liability to the insurance societies by means of a yearly payment. On the other hand, in the more dangerous trades, the masters themselves expressed a wish for legally defined accident insurance.

Before the accident insurance of industrial workers (on account of the difficulties of the work and the many sides of the question) could be properly worked out and carried into effect, a Bill was brought in by the Board of Agriculture to provide in some measure in cases of accident for agricultural labourers, the number of whom in Hungary considerably exceeds that of those employed in trades. This Bill passed into law as Act XVI. of 1900, and a fund was formed, chiefly by the State, for agricultural labourers and servants.

Employers are bound to pay into the Fund 1·20 "krone" (1s.) annually for each servant employed by the year; the membership of other labourers is voluntary. The fund assists any of its members thrown out of work through accident; in cases of incapacity not caused by accident, those are assisted who have been members of it for at least ten consecutive years. If the member loses more than a week by accident, over and above the expenses of the doctor and of medicine, he receives one "krone" (10d.) daily, but only during a period of sixty days. A totally disabled labourer receives ten "krone" (8s. 4d.) a month as long as he lives. If the accident ends in death the Fund pays 100 "krone" (£4 3s. 4d.) for funeral expenses, but if there are dependant survivors, a contribution of 400 "krone" (£16 13s. 4d.).

A new Act (XIX. of 1902) made the insurance of those employed on threshing and cutting machines obligatory at the expense of the farmers.

In 1902 the Minister of Commerce organised a special department for the codification of social politics, the first task of which was the drafting of a Bill for obligatory insurance against accidents. In the following year the Bill was ready, and, with the purpose of inviting public criticism, it was published in two volumes containing an extensive and precise report of arguments and a collection of materials referring to every branch of the question. The interest of the expert public was a very lively one; the Bill, however, was unable to reach the stage of Parliamentary discussion owing to the political situation of the time.

As soon as a new Government was formed in 1906, the Minister of Commerce considered it as one of his first tasks to work out

the whole complication of the workmen's insurance laws. As the necessity to modify the sick benefit law became ever more pressing, in the same year the Board of Trade had a Bill drafted for the common organisation of sick benefit and accident insurance, taking the former plan as a basis. The Bill having been discussed by many experts, was accepted by the Legislature in 1907 (Act XIX.), brought into working on July 1st, 1907, and is based on the following principles :—

(1) Insurance for sick benefit is obligatory on all employees in every branch of trade and commerce whose salary does not exceed 2,400 "krone" (£100) a year, or eight "krone" (6s. 8d.) a day; on the other hand, insurance against accident is obligatory in every dangerous employment mentioned in the law, without regard to amount of salary, but in the question of compensation a salary of not more than 2,400 "krone" (£100) is taken into consideration. (2) Sick benefit and accident insurance are entrusted to the same funds, which are united into one central fund for the whole country. (3) In the Central National Fund, as well as in its local organs, both interested classes—employers and employees—are equally represented. (4) For the decision of disputed questions a select jury is organised.

Insurance for sick benefit has a wider circle, as insurance against accident is not compulsory for workmen employed in some less dangerous small trades, and also is not obligatory for the employees in commerce. Sick benefit consists in doctor's attendance and medicine, including treatment in a sanatorium or watering-place, and of provision for maintenance. Claims on the sick benefit fund cannot be limited to a period of less than twenty weeks, but the Fund can extend this term to a year. A woman in childbed—if she is not otherwise ill,—has a claim for sick benefit for six weeks. All members of the family living in the same household are granted treatment free of charge.

Maintenance money equals half of the general wages of the insured employee, but it can be raised until it equals two-thirds of the wages. In case of death a sum equal to 20–40 times the daily wages is given for funeral expenses.

In case of accident, assistance is granted for the first ten weeks by the sick benefit fund; later on the case is supported by the accident insurance fund.

The injured workman during the time of his incapacity receives a pension. If he entirely loses his capacity for work, 60 per cent. of his yearly wages is granted to him; but if besides

this he becomes impotent and needs constant nursing, the pension is to be raised to 100 per cent.

In case of the death of an injured workman, funeral aid is given up to the sum of twenty times the daily wage; the widow gets a pension of 20 per cent. of his yearly wages; each of the fatherless children 15 per cent., but if also motherless, 30 per cent.; his parents, grandparents, or orphan grandchildren 20 per cent.; but the total sum of all these payments cannot exceed 60 per cent. of the yearly earnings of the injured workman.

From a humanitarian point of view the Hungarian workmen's insurance law has made a considerable innovation, in which it is a pioneer to the Legislatures of all Europe, for the Hungarian law does not make any difference in the value of the claim on assistance, whether the illness or accident be occasioned by intemperance or by any other cause; in one case only the workman is deprived of his claim, *i.e.*, if he brings about the accident purposely. But even in this case, if death ensues, his family gets the assistance and payments provided by law.

The expenses of the sick benefit fund are borne equally by the employers and the employees, those of accident insurance only by the employers. The premium of the sick benefit funds cannot be fixed under 2 per cent., or over 4 per cent. of the average daily wage; the amount of the premium is fixed by the Central National Fund. In small trades, where the usual number of employees does not exceed five, the premium of the sick benefit fund must not be higher than 2 per cent. during the first five years of the law's working.

As we said, the expenses of accident insurance are borne only by the employers. In order that single trades may contribute to the expenses in the proportion in which they make claims upon the fund, the law prescribes that the insured branches and trades are to be classified according to their danger and according to their obligation to pay the premiums. This classification of danger is not a constant one, but will be modified in time according to the results of experience. As soon as the Central National Fund began to work, the "State Workmen's Insurance Office" prepared the first table of the classification of danger, on the basis of our hitherto very deficient experience, and from the data of foreign insurance societies. The first classification of danger is to be modified as soon as the number of accidents in the different trades makes it advisable; indeed, the National Central Fund is compelled every five years to revise the danger-classification, and, if necessary, to correct it.

Even within the same trade there may be an individual classification according to the more or less careful provision made by the employer. Therefore it is in the interest of the employers that their own establishments, as well as others of the same trade, should possess every appliance for the protection of workmen.

The provisions of the law for preventing accidents are considered by many experts as a more important measure than the material compensation of the injured workman and of his family, and so, during the occasion of the Parliamentary discussion of the subject, the Government declared its intention to take great care for the protection of the workmen's physical soundness and health.

The insurance for both sick benefit and accident is provided for by the National Sick Benefit and Accident Insurance Fund; its local organs are the District Funds. Besides these, the law has left untouched the funds of the old establishments, but only for the purposes of sick benefit; insurance against accident is also in these cases discharged by the District Funds. All other forms of the previous sick benefit insurance are stopped, whereby their number has been diminished to one-third. So, their power being concentrated, their capacity has been raised.

The National Workman's Sick Benefit and Accident Insurance Fund is an autonomous corporation governed by an equal number of representatives of the insured workmen and of their employers. Over all the workmen's insurance funds there is the State Workmen's Insurance Office to superintend and control them, its expenses being borne by the State.

The law in question provides the greater number of trade employees with the most necessary requirements of life in the two most frequent cases of incapacity for earning: in the cases of illness and accident. On the occasion of bringing in the Bill, the Minister of Commerce announced his intention to draft a Bill for Old Age Pensions and Sick Insurance of Labourers in a short time. If this plan should also succeed, the workman's insurance in Hungary will be the first to realise the object aimed at by all the leaders of workmen's insurance institutions, i.e., to build up all kinds of insurance on a common basis, and to provide for the fulfilment of all its tasks by the same organisation.

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RECENT OFFICIAL PAPERS.

Report from the Select Committee on Home Work, together with the Proceedings of the Committee. (Commons Paper, 246, 1908.)

THE Report at the outset connects home work with sweated labour in the general sense of work done for insufficient payment. "We have had quite sufficient evidence to convince us that the earnings of a large number of people—mainly women who work in their homes—are so small as alone to be insufficient to sustain life in the most meagre manner, even when they toil hard for extremely long hours." The "large number of people" here referred to is found in that group of home workers which consists chiefly of (1) single women, widows, wives deserted by or separated from their husbands, and wives whose husbands are unable to work; (2) wives who obtain work when their husbands are out of employment; (3) wives and daughters of men in work who wish to increase the family income. It is with this group that the Committee were mainly concerned.

The earnings of many of these are "pitifully small." Of this smallness the principal causes are classified under eleven heads, which may conveniently be reduced to five, namely, (1) the large and elastic supply of workers; (2) competition (with machinery, with workers in foreign countries, and with workers at home who do not work for the market); (3) the disadvantages of sex; (4) the intervention of middlemen (an occasional cause only); (5) fierce competition among employers in most sweated trades, and the absence of any standard rates of pay. These causes are complicated by the conditions of factory development. Stringency of factory regulations causes a tendency to employ workers to whom such regulations do not apply; the large supply of low-priced home-labour checks improvements of factory methods of production; and, at the same time, improvements in factory production tend to reduce the rates of payment for work done outside—in other words, the more efficient the factory organisation, the more hopeless is the struggle of the home worker.

The Report then discusses the provisions of the existing law in regard to home workers. These consist chiefly in the powers given to the District Councils to prohibit work being given out to be done in premises which are injurious to health; in the requirement that persons giving out work must keep a list of persons to whom it is given out, and send copies of these lists to the local authority twice a year; in the "Particulars" section

of the Act of 1901, which secures to the worker beforehand information as to the price he is to get for the work; in some slight protection afforded by the Truck Act of 1896; and in the regulation of children's employment by the Act of 1903.

As to the effect of these provisions, the Committee "are of opinion that these provisions of the existing law have failed to produce any real amelioration of the condition of home workers, and that legislation of a far-reaching character is required."

Turning to Australasian experiments and experience, the Committee accept Mr. Aves's general opinion that "there is not much information or guidance . . . to be derived from the conditions, legislation, and experience of Australia and New Zealand"; but they are of opinion, nevertheless, that the legislation in these Colonies has been distinctly useful.

Finally, turning to suggested remedies, the Committee confine their attention to two proposals (both applicable to certain specified trades only): (1) that home workers shall be licensed by Factory Inspectors before they can legally obtain work, the licence to be renewed every six months; (2) that Wages Boards, consisting of employers and workpeople, with a neutral chairman, shall be established with power to fix the minimum rates of wages to be paid to workers.

The former proposal is discussed very shortly, and dismissed almost impatiently; the latter is finally adopted, and coupled with sundry minor recommendations, including a provision to prevent the worker's waste of time in fetching and carrying, and a provision to ensure compulsory registration of all home workers employed by other persons in preparing articles for sale, and the enforcement of the keeping of accurate lists by employers. It is to be noted, however, that the legislation proposed is to be at first tentative and experimental, and to be limited in its scope to home workers engaged in the tailoring, shirtmaking, under-clothing, and baby linen trades, and in the finishing processes of machine-made lace. The Home Secretary may establish Wages Boards for any other trades in any districts after inquiry made.

In commenting upon the Report, of which the above is a brief summary, it may be noted at the outset that the Committee have not fairly grasped the conditions of the problem. They seem to have forgotten the very large group of home workers consisting of wives who work because their husbands' earnings are not enough to keep the family. These wives are certainly not included in the third group of women workers described as "wives

and daughters of men in work who wish to increase the family income," for the latter are distinctly stated to be women who "usually select pleasant work, and do not ordinarily work long hours." This omission is serious, not merely because it leaves many underpaid home workers out of consideration, but also because it indicates a failure on the part of the Committee to consider the question of underpaid women's work in connection with the whole question of low-paid labour, or of men's wages which are normally below an accepted standard of family requirements. The Report, as a consequence, suggests no answer to those who maintain that "the remedy for some of the worst suffering in sweated home industries is not higher wages at all, but less need to work."

Again, the analysis of the causes of low payments for home work is incomplete. It is impossible to understand the difficulties of the problem of "sweated" or very badly paid home work without reference to the fact that it usually attaches to surviving hand processes (belonging to an old stage of industry) working side by side with very up-to-date conditions of the market—a highly elaborated commerce dealing with a very extensive demand at a low demand price. That is to say, the work is connected with old and simple processes (which cannot always be superseded by machinery) linked to a new and complex system of industry and commerce to which they are not and cannot be adjusted. This is not at all the same thing as "competition with factory methods," and failure to include this cause among the causes of underpaid home work forms a further serious omission, in that it indicates a failure on the part of the Committee to consider the problem in relation to the whole modern industrial and commercial system.

In their rejection of the proposal for licensing all home workers, the Committee are not convincing. The scheme would involve too many inspectors, they say, and it would discourage the occasional worker. As to the former objection, it may be retorted that the general conditions of home workers can never be regulated without largely increased inspection; and, indeed, the Committee's own recommendations, if properly carried out, would throw a very large amount of extra work upon the Factory Inspectors. They insist that "the keeping of accurate out-workers' lists by employers should be strictly enforced"—surely impossible without extra inspection; and they propose to leave to the Inspectors the task of enforcing the decisions of the Wages Boards, and making detailed decisions themselves. It is to be

noted, moreover, that in their desire to avoid actual visiting of home workers' abodes, they appear to forget the significant statement of Miss Squire that there has been no improvement in the cleanliness of these abodes corresponding to the improved sanitary conditions—a defect which everyone agrees ought to be remedied even if detailed inspection is the only way of remedying it. The second objection put forward to the licensing scheme seems hardly to the point. The Committee appear to forget that the scheme provides for the immediate granting of licences provisionally, pending a visit by the Inspector.

Turning to the Committee's final recommendations, it is not too much to say that they are based upon arguments in which a rather extreme optimism sometimes takes the place of logical consistency. It is asserted as a general justification that "it is quite as legitimate to establish by legislation a minimum standard of remuneration as to establish such a standard of sanitation, cleanliness," &c. It may be legitimate, but the suggested analogy is a false one. This point was fully dealt with by Mrs. Macdonald in the March number of the *JOURNAL*, and need not be dwelt upon here. But we may note that the argument is really dangerous in so far as it suggests that a minimum rate of pay can be enforced in the same way as a minimum standard of sanitation. To the former the honest and fearless co-operation of the workers is necessary; to the latter it is not. Again, the Committee are prepared to face the disappearance of certain home traders, but—again with characteristic optimism—they argue "that experience teaches that the usual result of legislation of the nature referred to is not to kill the industry, but to reform it." Certainly, experience of legislation of a quite different nature (applied to organised factory industry) has been to reform the industry in the sense of improving it; and it is probable that the legislation now proposed would also lead to reformation—but in a very different sense. It would be most likely to reform the industry—by handing it all over to the factory workers. The argument, therefore, is not reassuring to those who regard the proposal as one for the abolition of home work.

The actual working of the proposal is, as we all know, beset with difficulties. The Report does not make these appear any less. The Wages Boards are first to fix a general minimum time rate for an average worker in the specified trades, and then to fix some minimum piece rates in relation to the time rate. But to fix piece rates for any variety of pattern and process is obviously impossible. The Inspectors, therefore, will allow or disallow any

particular piece rate according as it is found to bring in to the average worker a weekly wage not less than the general time rate fixed for the district and trade. Everything is thus determined by reference to the average worker—whom the Inspectors have to find in all the special processes and detailed branches of work. But persons below the average are to be allowed to go on working for insufficient weekly wages: “the earnings of those who are slow or inefficient cannot be raised by giving them a rate of payment above that which is made to the average worker, even though it yield a very poor income to those whose output is small.” The general result will thus be a raising of piece rates, leaving an indefinite number of workers still earning an insufficient wage. This is doubtless inevitable in any case, but it is useless to pretend that the higher piece rates for the home work will not increase automatically the competition of the factory, the foreigner, and the private persons making articles for themselves, thus throwing out of employment altogether large numbers not only of inferior workers, but also of “average” workers.

It may be added that the Committee are again optimistic as to the operation of the Boards. They regard the equal representation of employees and employers as a full safeguard “against most, if not all, the conceivable harm which could possibly result from the unwise use by the Boards of the powers conferred upon them.”

In conclusion, the recommendations may be good; it may be wise to try the expedient of Wages Boards; but it may be doubted whether this Report gives reason for regarding the attempt as any less a leap in the dark than it appeared to be before the Committee was appointed.

E. J. URWICK

Report of the Home Circumstances of Necessitous Children in Twelve Selected Schools. (London: P. S. King.)

SINCE the passing of the Provision of Meals Act there has been much controversy over the number of necessitous children in the elementary schools. Sentimental pessimism or political agitation has painted in lurid colours the huge army of the starving; while the optimism of the Charity Organisation Society and other bodies, distinguished by the same spirit of philanthropic asceticism, has reduced the figures to an almost vanishing quantity. But in either case the conclusion has been derived from

preconceived opinions rather than from the facts of a verified experience. A report recently published by the London County Council throws much light on the question and enables us to ascertain with some degree of precision the extent and the character of the problem of the necessitous child.

Special officers were appointed to investigate the home circumstances of the children who were receiving meals in twelve selected schools. These officers were chosen for their knowledge of the poor, and the majority had been trained in one or other of the offices of the Charity Organisation Society; one of those who directed the inquiry had for years been a secretary of a local committee of that association. The schools lay in different parts of London, and were typical of the various kinds of poverty. Poverty in a wealthy district, in a lower middle-class district, in a poor district, in a very poor district, and in a criminal district--these are the divisions into which the schools are placed. The investigation was of the most exhaustive character. "Teachers, attendance officers, relieving officers, and clerks to distress committees" were interviewed. "Then the evidence was taken of the church and chapel workers, London City Missionaries, settlement workers, charity organisation committees, nursing associations, Bible-women, and police. In some cases the large employers of labour in the district, landlords, and shopkeepers (including the pawnbroker) were also consulted." It is not possible to reach exact knowledge concerning the condition of the poor, but we may fairly say that this report furnishes as satisfactory an approximation to this ideal as can be obtained.

The conclusions fall into two classes. There is first the question of the number of necessitous children. The word "necessitous" signifies, as defined by the Act, children unable through lack of food to profit fully by the instruction given. The method of selecting children in most of the schools was found to be very unsatisfactory. A boy might be fed in the boys' department of the school, while his sister in the girls' department was left to go hungry; further, there was little investigation of the cases, and many received meals who did not require them. The following are the principal figures:—2,581 children were receiving meals in the twelve schools; if to this number be added the number of omitted brothers and sisters, who should certainly have received the same treatment as the other members of the family, we reach a figure of 3,334 as representing the number of children included in the inquiry. Of these the report

classes 2,630 as necessitous—a number not differing very much from the number actually being fed. The errors in selection thus compensate one another; and, while there were children fed who did not need meals, there was a corresponding number of children who, though necessitous, were allowed to go hungry.

If, therefore, we regard the conditions in these schools as typical, it is now possible to calculate the number of necessitous children in London. We may, as the report shows, assume that the number being fed at any moment is approximately accurate as regards the totals, though incorrect as regards the individuals included. The London County Council receives weekly returns from the schools giving the number of children classed as necessitous. During last winter the highest figure reached was approximately 50,000. Fifty thousand, therefore, represents the maximum number of necessitous children reached in London in any one week; in other words, 7 per cent. of the children attending the elementary schools. In using this figure as a working hypothesis two considerations must be borne in mind. First, last winter was in London a normal winter, not marked by any unusual amount of distress or unemployment. Secondly, it must be remembered that in no case were the circumstances of all the children in the school examined, the inquiry was confined, with one trifling exception, to the families of those children actually in receipt of meals. There can be no doubt that, since the methods of selection were proved to be faulty, a full investigation would have disclosed many more necessitous children, but how many it is impossible to say. It is unfortunate that the inquiry was of this restricted character. But, at least, we cannot be accused of exaggeration if we assert that, in a normal winter, the maximum of necessitous children in any one week will not be less than 7 per cent. of the children in the schools.

• But the report does much more than determine the number of necessitous children; it attempts to classify the causes which have led to the children requiring meals. The families are divided into seven classes. Class I. "is composed of families whose normal condition is one of independence, but who, owing to illness in the home or to some misadventure other than lack of work, are for a short while placed in uncomfortable circumstances"; 3·9 per cent. of the families belong here.

Class II. includes the genuinely unemployed; 5·7 per cent. of the families are placed in this division. This class is distinguished from Class III., which consists of the casual labourer or the under-employed; 19·0 per cent. of the families are so

described. The investigators were well advised in trying to make this distinction, though it is a distinction not easy to carry out in actual practice, and too much stress must not be laid on the exact figures.

To Class IV., which includes the intemperate and wasteful parents, no less than 44·7 per cent. of the families belong. "In practically all these cases one or both of the parents are drunkards." In this division the moral and not the economic factor decides the class of the family. Many of this class would find a place in Classes II. and III., but apparently, though the report is not clear on this point, if there is a history of drink the family is thrown into Class IV., irrespective of the nature of the parent's employment.

Class V., 50 per cent. of the whole, contains the widows, the deserted wives, and the families where the chief wage-earner is in prison.

The children of families in one or other of these five classes are all regarded as necessitous with the exception of a few cases with incomes above the poverty line defined below. It is not, of course, asserted that the children of all intemperate parents require meals; but it is assumed that all children who, in the opinion of care committees or teachers appear to need food, should be fed when there is evidence of drink in the home.

In Class VI. we reach the families where the wage-earner is in irregular work, or where parish relief is given. To determine the necessity of the family it is necessary to set up some standard of poverty. The incomes of all families are expressed in terms of a family consisting of two adults and four children. To make the necessary calculations an adult is regarded as anyone over school age (fourteen), the requirements of a child as three-quarters of the requirements of an adult, an infant under school age (three) as equivalent to half an adult. The income, after the deduction of rent, insurance, and travelling expenses, is then reduced or increased accordingly. If the income so arrived at is less than fifteen shillings a week the family is termed 'necessitous'. This poverty standard is simpler than that adopted by Mr. Rowntree, but does not differ from it very materially; 16·9 per cent. of the families are placed in Class VI. It should be mentioned here that in nearly half of all the cases the investigators were unable to determine the income of the family.

Class VII. includes the families where the parents themselves confessed that meals were not required; 4·8 per cent. of the families belong here.

The report contains much other valuable information which space will not allow of discussion. Over-crowding, cleanliness of the home, occupations of the parents, are subjects which have received careful examination; the results are summarised in elaborate tables. As an investigation into the problem of the necessitous child, the report is unique of its kind, and merits a more careful study than is usually given to municipal publications.

R. A. BRAY

The Report of the Central Unemployed Body for London.

THE Report of the Central Unemployed Body for London upon its work from May, 1906, to June 30th, 1907, contains a good deal of valuable information as to the classes of unemployed workmen who apply for relief in the metropolis, and some material for estimating the efficacy of the machinery created by the Unemployed Workmen Act of 1905. The main facts of the Central Body's activity during the period under review are as follows:—

(1) The total number of persons who registered their names was 27,570, of whom 1,415 were women, and 26,155 were men, as against a total of 36,488 registering in 1905-6 (p. 92). The figures from Battersea, which made no returns, are not included in these totals.

(2) The Central Body offered work "to over 4,500 unemployed applicants" (p. 21).

(3) The work offered consisted (a) of that organised in London and the neighbourhood by the Works Committee, and was "principally general groundwork, levelling, returfing, cleaning out ponds and river beds" (p. 31). The rate of wages paid was 6d. an hour. The hours were 42½ per week. The total cost of these works appears to have been between £18,000 and £19,000, a proportion of which was repaid to the C.U.B. by the London County Council and by H.M. Office of Works (p. 111).

(b) Of that organised by the Working Colonies Committee, which established "colonies" at Hollesley Bay, Rea Island, Garden City, and Farnbridge. The men were employed continuously for successive periods of a month, returning to London at the end of each month for two days to visit their families and look for work. They received board and lodging at the colonies, and allowances of 6d. a week, which allowances, based on the size of the family, but in no case exceeding 17s. 6d., were paid to their families in London. Hollesley Bay was intended

to be "a training colony," *i.e.*, a permanent institution through which successive relays of colonists passed with the hope of preparing them for agricultural work in England or in the Colonies. The other three colonies were temporary settlements formed to execute particular pieces of work (p. 32).

(4) It emigrated 5,415 persons at a cost (for emigration and transference to other places in England) of £38,613 (pp. 127-8).

(5) It opened twenty-five Labour Exchanges. The number of persons registered by these was 74,238. The number of persons for whom work was found was 12,529. These figures do not, however, represent the real significance of the exchanges, as only eight were open in August, 1906, and the full twenty-five were not established till January, 1907.

(6) It spent in all £194,441 19s. 6d., of which sum £69,281 came from the rates, £50,899 from the Exchequer, £40,046 from voluntary contributions, and £34,213 from loans.

What is of permanent value in the large activities thus indicated? Three salient facts seem to emerge. The first is that little permanent good is effected by the relief works which were opened. It is possible that when (if ever) casual employment is reduced to a minimum and when (if ever) compulsory detention colonies are established for the confirmed vagrant and idler, relief works may be of use in tiding over a period of annual distress men who are generally in regular work. But at present distress committees are swamped with applications from persons who are always on the verge of distress, and who cannot be helped by temporary relief works, because they have no permanent employment to which to return when relief is over. Discrimination is so difficult as to be almost impossible. Thus Poplar reports: "Owing to the large number of casual workers who made application for relief work or emigration, it was impossible to carry out to the letter the instructions C.B., October 19th, 1906" (an instruction as to strict classification). The following table (p. 18) is suggestive:—

Total applicants to 22 committees, 1905-6	31,534
Reapplied to same committee, 1906-7 ...	7,160
Being ...	22·7 per cent.
Applicants assisted, 1905-6 ...	6,392
Reapplied to same committee, 1906-7 ...	2,720
Being ...	42·6 per cent.

Secondly, general labourers form the majority of applicants, and their distress represents a permanent over-supply in London

of that class of labour. Out of 3,501 men, 2,269 are classified as "Locomotion, Transport and General Labour" (p. 27). Thirdly, and as a corollary of this fact, what seems to be needed is (a) an extension of the system of Labour Exchanges, to give place-mobility; (b) the prevention by compulsory continuation schools of the manufacture of unemployable youths; such schools would give adaptability and steadiness of character, and would cut off the stream of unqualified lads who at present pour into the already overstocked unskilled Labour Market. It should be noted that 67·7 per cent. of the applicants were under forty-four, *i.e.*, in the prime of life, while 40·7 per cent. were under thirty-four, *i.e.*, young men. Until the causes of *chronic* distress are handled, the relief of *occasional* and *intermittent* distress is almost impossible.

R. H. TAWNEY

Report of the Committee on Indian Railway Finance and Administration. (C^d 4111.)

IN May, 1907, the Secretary of State for India appointed a Departmental Committee to inquire and report :—" (1) Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade; and if not, then : (2) What additional amounts may properly and advantageously be raised for this purpose; (3) Within what limits of time and by what methods they should be raised; (4) Towards what objects they should be applied; and (5) Whether the system under which the Railway Board now works is satisfactory, or is capable of improvement; and to make recommendations."

The history of railway development in India has been as follows :—From 1850 to 1870 construction was undertaken by companies under guarantees from Government; from 1870 to 1880 the Government resorted to construction by direct State agency; from 1880 to the present day both of these methods have been employed, but the guarantees given to companies have been of a less generous character. Roughly speaking, India now possesses 30,000 miles of railway, representing a capital expenditure of £300,000,000. The net earnings represent a return of 5 per cent. on the capital. Of the 30,000 miles of railway the Government of India is financially responsible for about four-fifths. During the last few years, owing to the activity of trade, the equipment of the lines has been unequal to the requirements of the traffic. Hence the present inquiry.

In reply to question (2), the Committee reply that "for a good many years to come the amount that might with advantage be spent on railways in India will exceed the funds that will on the average be available." The available funds are estimated at 12½ millions per annum.

Four methods of raising money in England are considered :— (1) Direct Government borrowing. (a) By the issue of India stock. (b) By the issue of special railway stock secured on the railway receipts. (2) The issue of short-term debenture bonds by companies with the guarantee of Government. (3) The issue of debenture stock by companies, also guaranteed by Government, but only redeemable after a long period and at the option of the borrower. (4) The issue of share capital by companies, with a Government guarantee of interest and a share in surplus profits. The Committee decide in favour of methods 1 (a), 3, and 4, according to the circumstances of each particular case, and they estimate that by these means it will be possible to borrow in London for railway purposes an average amount of £7,500,000 a year, which, together with £5,000,000 a year to be provided in India, will in ordinary years enable the Government to spend £12,500,000 on fresh railway construction and improvement.

The Government of India, as a general rule, does not work its own railways, but this rule has been disregarded in the case of three large railways aggregating about 6,000 miles. With regard to these the Committee suggest that "the development of the Indian railway system would be expedited if arrangements were made that some lines now dependent on Government capital should in future supply their capital requirements without Government intervention or assistance," and they propose the following outline of a scheme to that end :— " (1) That the net earnings of a railway owned by the Government shall be capitalised at, say, 25 years' purchase. (2) That the amount thus arrived at shall be treated as Government capital in the undertaking. (3) That a company shall then be formed to work the line, and that this company shall raise additional capital on the security of the railway alone, without any guarantee from the Government. (4) That the net earnings of the line after the formation of the company shall be divided between the Government and the company in proportion to the capital of each." The replies to questions (4) and (5) are of merely departmental interest.

The Government of India has been frequently blamed for its failure to encourage private enterprise. With regard to this the Committee make an illuminating remark :—"In some instances

the ground of complaint has been that the Government has insisted on restricting the extent to which the subscribed capital may be used to defray the expenses of promotion."

In paragraph 25 of the report it is suggested that the Indian Finance Minister should endeavour to budget for a larger annual surplus than has formerly been the custom, this surplus to be used for railway construction. This suggestion, we think, is much to be deprecated. The task of guarding the inheritance may be a duty requiring encouragement in England, where the taxpayer is an "economic man," but in India, as in Egypt, it is a moral luxury in which the financial authorities have already freely indulged.

D. A. BARKER

The amended Sugar Convention.

THE Brussels Sugar Convention, materially amended, narrowed in scope and robbed of some of its significance, is to be maintained in force for a further period of five years, dating from September 1st, 1908.

The leading features—indeed the pivot—of the Convention of 1902 were (1) the renunciation of bounties by the contracting parties (Art. 1), and (2) the determination to penalise or prohibit the importation of bountied sugar from non-contracting States (Art. 4). Now we find annexed to the original document an Additional Act, dated August 28th, 1907, releasing Great Britain from the obligation contained in Article 4, together with a Protocol, dated December 19th, 1907, admitting Russia to membership of the Sugar Union, while permitting her to "retain her present fiscal and customs legislation." Thus, two important provisions are rescinded or relaxed in favour of individual States, and for Great Britain, at least, the Convention assumes a totally different aspect. The new situation is interesting enough to call for some remark.

In the first place, a word may be said on the constitutional issue. For all practical purposes, Great Britain has entered upon a fresh international agreement, and it has been acutely debated whether the action of the Executive, in ratifying the amended Convention without first obtaining parliamentary sanction, was in strict accordance with constitutional practice. The Government, advised by the Law Officers of the Crown, adopted the attitude that "it is not customary to go to Parliament in the exercise of the treaty-making prerogatives of the Crown unless,

as was the case with the Brussels Convention of 1902, it is necessary to equip the Executive for carrying the provisions of the treaty into effect." The argument appears perfectly valid. The first Sugar Convention was laid before Parliament because it was necessary to set up machinery for excluding bountied sugar at our ports. Under the new Convention the prohibition ~~is~~ withdrawn and no executive action is required.

The case for unconditional withdrawal—based on the contention that the Convention was dictated by foreign Powers in a spirit contrary to British policy and hostile to British interests—was urged at length. This is not the place to discuss the political considerations involved, but it is plain that the situation required delicate handling. For many years we avowed and acted on the desire to assist the international movement for suppressing the bounties, and finally became a party to the instrument devised for that purpose. If then, abruptly and without good cause, we had withdrawn from our engagements, our good faith would have been called in question and, by our action, a vexing fiscal controversy would have been re-opened. The German delegate to the Permanent Commission at Brussels declared that, in the event of the retirement of Great Britain, the former surtax would be revived, and with it the cartel and bounty system built upon it. (Cd. 3877, p. 1.) An irreconcilable attitude on our part would, undoubtedly, have led to a serious rupture in our international relations, and, incidentally, have again exposed our sugar exports to prohibitive foreign tariffs.

Fortunately, the difficulty was smoothed over by the concession of the very point which so long barred the way to agreement. The incident is an ironical comment on the interminable discussions of the bounty period prolonged at such enormous expense to the beet-sugar industry. Apparently, the European countries are waking up to a sense of the importance of the home market, which is expanding rapidly under more natural conditions, including relief from an intolerable weight of taxation.

The penal clause was objected to on the ground that Great Britain could not remain a party to a bargain which enabled the sugar-producing countries artificially to restrict the supplies and, therefore, enhance the price of an important food and raw material of industry. We think that the argument has been pressed too far, and that the figures adduced in support have not been substantiated. The Sauerbeck Index Numbers for "forty-five articles" and sugar respectively, for the ten years 1898-1907, and the corresponding prices of 88 per cent. beet sugar f.o.b. Ham-

burg, based on the quotations in Czarnikow's weekly circular, are shown below :—

Year.	Index number.		Price of 88% beet. s. d.
	Forty-five articles.	Sugar.	
1898	64	40	9 5
1899	68	44	10 1
1900	75	46	10 4
1901	70	38	8 6
1902	69	30	6 8
Quinquennial average	69.2	39.6	9 0
1903	69	36	8 3
1904	70	44	10 0
1905	72	47	11 4
1906	77	36	8 8
1907	80	39	9 5
Quinquennial average	73.6	40.4	9 6

We draw the following simple deductions :—

(1) That the mean price of sugar for the last five years is scarcely higher than during the five years prior to the Convention.

(2) That the fluctuations round the mean price have been less extensive under the Convention than under the bounty *régime*.

(3) That the appreciation of prices generally in the last ten years is much more marked than in the case of sugar, which shows only a slight upward tendency. In the face of this evidence we hesitate to reckon "consumers' loss," under the influence of the Brussels Convention, by "millions."

But while it is easy to exaggerate the results of excluding bounty-fed sugar from our markets, there is little doubt that the principle underlying the penal clause might be extended quite logically so as to provide a sanction for a comprehensive scheme of countervailing or retaliatory duties; and criticism—on the Free Trade side—would rest on safer ground if this point were emphasised. British sugar refiners have made no secret of their desire to see the penal clause—not struck out but—strengthened; in order to permit of the levying of surtaxes on all foreign refined sugar, sufficient to neutralise the advantages alleged to be enjoyed by their competitors.

The acceptance of the penal clause by Great Britain was, in fact, a serious innovation of policy. In his speech at the last Colonial Conference Mr. Asquith expressed the idea thus :—

"By seeking to introduce this element of a penal duty directed against foreign produce . . . you are introducing something into the system which is absolutely alien to it, which cannot be recon-

ciled with it, and which will sooner or later develop an antagonism which must lead either to the exclusion of the new element or the complete abrogation of the old system."

For good or evil, then, the penal clause has become inoperative as far as British obligations are concerned. In pursuance thereof, the Orders in Council, prohibiting the importation of sugar from Denmark, Russia, the Argentine, and Spain, have been revoked; the countervailing duties on Russian sugar imported into India have been withdrawn; and the retaliatory Russian surtax on Indian and Ceylon teas has been repealed.

The chief remaining disability is the guarantee—wrung from Lord Lansdowne as an equivalent for the reduction of the foreign surtax at the very last hour of the 1902 negotiations—that Great Britain will grant no preference to Colonial sugars during the term of the Convention. We may infer that Europe looks with jealous eyes on our Imperial schemes, and attaches more weight to such an assurance as the above than to the question of Russian exports.

Some other details of this "working arrangement" are harassing in a greater or less degree. For instance, we must continue to refine in bond; but the cessation of bounties is in the interests of British refiners who, in the past, have loyally accepted the recommendations of experts that the only real safeguard against bounties is the adoption of Excise supervision. Again, certificates of origin are required to enable re-exported sugar—but not sugared products—to obtain the benefit of the minimum customs duties on importation into any of the contracting States; but there is no compulsion in the matter: it is for the trader to decide whether the advantage offered is worth the expenditure of the additional trouble.

The case of Russia presents some little complication. In consideration of the special terms of her admission to the Convention, and with a view to allaying apprehension on the part of neighbouring States, she undertakes to limit her European export (that to Finland being excepted) to a maximum figure of 1,000,000 tons, inclusive of accumulated stocks, for the six years beginning with September 1st, 1907. Of this quantity a maximum contingent of 300,000 tons, free of excise duty, is available for export during the sugar year, September, 1908, to August, 1909, and 200,000 tons for any subsequent year. The British Government withheld assent from this stipulation; and the interesting question arises—how far is the restriction likely to curtail supplies of Russian sugar for the English market?

The Board of Trade, after careful inquiry, estimate the average importation of Russian sugar into the United Kingdom for the ten years prior to the "prohibition" at 40,000 tons per annum. It is evident, therefore, that Russian sugar production will have to attain greatly increased proportions to allow of an export of 200,000 tons; and, as practically the whole of the Russian surplus is available for the United Kingdom, British sugar users have every reason to be satisfied with the outlook. The prospect of receiving immediately 300,000 tons after five years' denial of this valuable source of supply is, in itself, very welcome.

The Additional Act is an admitted triumph for British diplomacy, achieved with scarcely any friction and no loss of prestige. We have caused to be eliminated the most objectionable feature of the Convention, and have not been called upon to make any corresponding sacrifice. The spirit and aims of the Convention are unimpaired: the Continental sugar industry remains free from the toils of the bounty system. As for Russia, her system, in the past, did not give undue encouragement to export, and only by straining a technical formula could a bounty be predicated for such sugar as she did export. Russia was entitled, equally with France, Italy, Spain, and Sweden, to some consideration to suit the special circumstances of her case. Finally, with the remedying of the home consumers' grievance, the interests which were affected prejudicially by the bounties are welcome to claim any benefits which may have followed the overthrow of a pernicious fiscal system.

E. COZENS COOKE

Board of Trade Index-Numbers of Real Wages.

In the ECONOMIC JOURNAL for September there is a note by Mr. J. M. Keynes on the procedure used for forming index-numbers of "real wages," in the Board of Trade Report on Working Class Rents and Prices in the United Kingdom. Mr. Keynes points out that, if some district other than London be taken as base, and the same weights (4:1) be used for combining the index-numbers for prices and for rents, the resulting index-numbers for rents and prices, taken together, stand in different ratios to one another, and consequently the index-numbers for real wages do so also. Mr. Keynes concludes that the results obtained by the Board are "somewhat arbitrary," and that "the same uniform weight should not have been given to rent in all districts without distinction."

As I have been much interested by these Board of Trade Reports, and the matter is of some importance, I should like to state that, in my opinion, Mr. Keynes' conclusion is unfounded, and has arisen apparently from his omission to notice that the weights must depend on the district chosen as base, and must consequently be changed—generally speaking—if the base is changed. The Board, it appears to me, suppose an individual to live in different towns purchasing a standard amount of certain foods and fuel, and renting a standard set of rooms. In the town or district chosen as base, the individual pays f_0 for food, &c., and a rent, r_0 , for his rooms. In some other town he pays f_1 , r_1 . This gives for the latter town the index-numbers for food and rent (omitting, for simplicity, the usual multiplication by 100)—

$$\phi_{10} = f_1/f_0 \quad (1) \qquad \rho_{10} = r_1/r_0 \quad (2).$$

It is desired now to obtain an index-number for the total expenditure on food and housing together, *i.e.*,

$$\tau_{10} = \frac{f_1 + r_1}{f_0 + r_0} \quad (3)$$

and it is required to express τ_{10} in terms of ϕ_{10} and ρ_{10} .

Clearly we have at once

$$\left. \begin{aligned} \tau_{10} &= \frac{f_0}{f_0 + r_0} \cdot \frac{f_1}{f_0} + \frac{r_0}{f_0 + r_0} \cdot \frac{r_1}{r_0} \\ &= w_{of} \cdot \phi_{10} + w_{or} \cdot \rho_{10} \end{aligned} \right\} \quad (4)$$

where w_{or} , w_{of} are the *weights* of food, &c., and of rent (or the proportions of expenditure on the standard food-budget and the standard rooms) *in the district chosen as base*; the weights are, therefore, the same for all towns referred to the same base and should not be varied as Mr. Keynes suggests. They must, however, be altered as may be necessary if the base is changed. If index-numbers are formed by equation (4), they will always stand in the same ratio to one another whatever the town taken as base, for we evidently have, reckoning index-numbers on a town k ,

$$\tau_{1k}/\tau_{0k} = \tau_{10}$$

In Mr. Keynes' case he changes the base from London to Ireland. But in Ireland rents are very much below the London level, while prices are much the same as in the metropolis: the relative weights of food, &c., and of rent would therefore be very different. If allowance be made for this difference the index-numbers stand sensibly in the same ratio as when London is employed as the base.

The process actually used is slightly more complex than that

indicated, as the Board did not base the rent index-numbers on a standard set of rooms, but felt bound, apparently, to use a more elaborate procedure, which should take into account tenements of all sizes generally inhabited by the working classes. This alteration undoubtedly gives rise to some difficulties. But these difficulties, though important, are of a minor character, and involve no question of principle. Mr. Keynes' statement that the process used involves some "error . . . well known to theoretical statisticians," and the somewhat severe strictures in the last paragraph of his note, are quite unjustified.

G. UPNY YULE

MR. YULE has not quite apprehended, I think, the reason for which I held that the Board of Trade's index-number of real wages leads to an arbitrary result. In his second paragraph, above, he refers to a standard quantity of certain foods and fuel, and to a *corresponding* standard set of rooms. He then shows algebraically that command over food and house-room, combined in the proportion of these standards, can be represented without inconsistency by means of index-numbers, the weights varying according to the base we take, but fixed for all localities when once our base is determined. This reasoning is not relevant, however, to the point I was raising. The arbitrary element enters in when we decide *what* standard quantity of food corresponds to a given standard quantity of house-room. The arbitrariness is *prior* to Mr. Yule's algebra, and is concealed in his premises. If the standard is fixed for all districts with reference to what is actually the standard in London, we get one result; and if we fix it with reference to what is actually the standard in the Midlands or in Ireland, we get a different result. Which of these standards we choose is, from all points of view, wholly arbitrary.

The precise point at issue is best expressed algebraically. The ratio of the expenditure required in localities A and B to purchase a standard quantity of x plus a standard quantity of y (p 's being prices and q 's quantities) is given by $\frac{x p_a x q_a + y p_a y q_a}{x p_b x q_a + y p_b y q_a}$, when the standard quantities are taken as being those actually consumed in A; and $\frac{x p_a x q_b + y p_a y q_b}{x p_b x q_b + y p_b y q_b}$ when the standard quantities are those actually consumed in B. It is only indifferent which of the standards we take:—(i) when $x q_a, y q_a$ are approximately equal to $x q_b, y q_b$; or (ii) supposing $x q_a$ and $x q_b$ differ appreciably, when these quantities are relatively small. As a matter of fact the q 's are

likely to differ widely when the p 's differ widely. Sensible errors arise, therefore, when the weight xq_a is large and the difference between xp_a and xp_b considerable. This is the combination of circumstances which arises in the case of rent and leads to the error which I stated to be well known to theoretical statisticians.

In such a case a practical compromise may be reached by using the fraction $\frac{xp_a xq_a + \frac{1}{2}xp_a xq_b}{xp_b xq_b + \frac{1}{2}xp_b xq_a}$. A fraction corresponding to this

was adopted by Mr. Palgrave for his series of index-numbers; in the present case it may be regarded as yielding a useful approximate index of relative well-being. It requires, as is easily shown, a varying of the weights adopted for different towns, even when the base is fixed. Another plan, which is analytically the same as that adopted by Sir Robert Giffen for export and import comparisons over a number of years, is to take a standard intermediate between those proper to each of the objects of comparison.

In the present instance, if there were no very great variations of rent, the amount of house-room occupied would be nearly the same, perhaps, in different places, and therefore approximately the same result would be reached whichever way our arbitrary decision went. But the tables at the end of the Board of Trade's report (see especially Appendix II.) show that the demand is highly elastic, and that families live in larger houses in the provinces than in London. Consequently, Mr. Yule's statement that if we take other districts as base and weight accordingly, "the index-numbers stand sensibly in the same ratio as when London is employed as the base" is not statistically correct. If we assume that the weights (representing proportionate expenditure, *not* quantity) accorded to rent and prices should be about 1:4 in London and 1:5 in the Midlands, and then follow Mr. Yule's rule, we find that with London as base real wages there are 100 and in the Midlands also 100, and that with the Midlands as base real wages there are 100 and in London about 97. Thus the percentage difference due to the arbitrary choice is 3, and is sufficient to upset everything when the objects of comparison are so nearly alike. The assumption, that about one-fifth of income in London and one-sixth in the Midlands is spent on rent, is suggested by the Board of Trade's investigations; but it is questionable whether the proportion in London should not be higher.

These remarks only serve to substantiate the well-known conclusion, not overlooked by the Board of Trade in their comparison of England with Germany (Cd. 4032, pp. xliv.-xlv.), that there is

no completely satisfactory means of comparing real wages in districts between which a substantial difference exists in the normal distribution of expenditure. It is a reasonable deduction from the Board's investigations that the real wages of selected trades in industrial centres throughout England vary, on the average of these trades, very slightly; but in their table and their order of merit they are offering conclusions against which there is at least as much to be said as there is in their favour.

J. M. KEYNES

Wages and Cost of Living in Germany. The Board of Trade and Mr. Ellis Barker.

It was to be expected that the Board of Trade's report on Rents, Prices, and Wages in Germany would evoke a storm of controversy. There were many preconceived ideas as to the relative well-being of workmen in Germany and in England, and quite rightly the methods and results of any inquiry were bound to be closely criticised. The statistical difficulties of measuring relative purchasing power, even when all the data are accurately known, are so great that it is never possible to obtain a result minutely accurate; how could we compare the value of money to a nation that lives on mutton, wheat, and tea, with the value to one that lives on beef, rye, and coffee? Even when this measurement is made there are many other steps before well-being can be compared; habits of care and thrift, of making the most of commodities that are cheap, of enjoying inexpensive pleasures, of persistent work, will go far to levelling up the comfort of the poorer of two classes to the standard obtained by the richer. It has long been known by all well-informed persons that the standard of life of the German town artisan was, at any rate, not far below that of his English equal, that the difference was less, for example, than that between the conditions in England in 1860 and 1907; the Board of Trade's report shows, on their method of calculation, that real weekly wages in English towns were about 35 per cent. higher in 1905 than in German towns; this difference, great as it appears at first sight, might easily escape the observation of a casual observer, not employing statistical tests, just as the improvement in England in the last quarter of a century (which may be measured as about 30 to 35 per cent.) might escape notice.

Professor Marshall, whom no one could accuse of forming hasty or ill-informed judgments, in his recently published memorandum (H. of C., 321, pp. 7, 8), estimated that in 1903 marks in Germany was the equivalent of 5s. in England, and

that money wages in the more progressive parts of Germany were lower (except possibly in the heavy iron industry) than in England; and he states the opinion that "the real wages of the German are increasing (1903) less rapidly than those of the Englishman." Mr. Ellis Barker¹ quotes statistics from the Report of the Chamber of Commerce at Hanover, showing that in the period 1895-1906 nominal wages rose 37 per cent., prices 22 per cent., and therefore real wages 12 per cent., an estimate not in any way inconsistent with Professor Marshall's. Mr. Barker, who is known as the author of several publications which purport to show the great prosperity of Germany, had formed the opinion that the German workman was, on the whole, better off than the English, and was in consequence greatly perturbed by the Board of Trade's publication.

Before we examine his criticisms, let us say at once that he has a plausible case, which he has all but spoilt by the violence of his tirades and by his quite unfounded accusations of bias implicitly made against the Board of Trade. His case is plausible and his arguments, to which he is endeavouring to give wide publicity, are not unlikely to mislead careless readers; hence it is necessary to show that the more accurate parts of his criticisms, even if admitted, make extremely little difference to the results obtained by the Board of Trade.

We may divide his arguments into three groups: those which make an *a priori* case for the greater prosperity of the German workman; those which attack the Board of Trade's methods; and those which attack the statistics.

General Arguments.—Work is more plentiful in Germany (p. 7) than in England, for the German population is increasing at 900,000 per annum, while there is little emigration and some temporary immigration; from England there has been considerable emigration in recent years. But, we answer, wages and facility of obtaining work are only two out of very many causes which determine the flow of population; and there is nothing to show that the efflux from the United Kingdom is of town workmen, containing as it does a large proportion of Irish countrymen, who do not enter into this comparison.—Unemployment is less in Germany (p. 7). The only proof offered is the comparison of the percentages of Trade Unionists out of work in the two countries. Every statistician knows that the figures are in no sense comparable, and the causes of this dissimilarity are sufficiently shown in the 2nd Fiscal Blue Book (Cd. 2337),

¹ *Economic Problems and Board of Trade Methods. An Exposure.* By J. Ellis Barker, pp. 6, 7.

Mem. III., and in the present report, pp. 521-525. It is impossible with our present information to form a valid opinion on this question, and the circumstances are changing month by month.—Some manufacturers are transferring work to England to take advantage of the lower wages there (p. 6). Very few instances are given; lower money wages may easily be higher real wages, and work may be more efficient; the emigration of works is usually held to be a proof of infelicitous circumstances.

On the whole, the *a priori* case amounts to very little, and in any case has little to do with the main line of attack. Let us grant, what we think no one is concerned to deny, that Germany has in recent times enjoyed a fair measure of prosperity.

The Board of Trade's Methods.—In the reports on the Cost of Living of the Working Classes in England (C^d. 3864) and in Germany (C^d. 4032), the methods are explained in considerable detail; the difficulties and the methods by which they have been attacked are shown, and all the details are arranged so that they can be re-grouped by anyone who wishes to test the result of alternative computations. In brief, the method was to send investigators to the principal towns in the United Kingdom and Germany, and find on the spot what were the customary wages, the customary prices, and the customary allocation of expenditure. The date for both inquiries was 1905, but materials are given in the German Report for bringing prices and wages up to 1908. The numerical comparison was then restricted to prices that could be given in terms of definite units, and to wages in occupations generally prevalent, namely, the building, engineering, and printing trades and some municipal employments. The rules, thus followed, appear to be quite impartial, and indeed the only possible ones.

Mr. Barker objects that vegetables, fruit, tobacco, beer, spirits, and railway fares are excluded, and holds that this works unfavourably for the German. He would also include rates in English rent. It is unfortunate that no retail prices (per definite quantity) could be obtained for vegetables, though probably potatoes are the only ones for which comparison is possible. Mr. Barker does not show that vegetables are cheaper in Germany, nor does he notice that many English labourers and artisans grow them in their own gardens or allotments. It is the general and approved practice in Budget comparisons not to include tobacco and alcohol. Railway and tramway fares are altogether too variable and indefinite for inclusion. If rates were included, so should be all forms of taxation, including conscription, a task so vast as to overwhelm the inquiry. Let us grant

that we have not, and cannot have, all the data, but we cannot admit that the modification would be all on one side. Are German clothes as cheap as English for the same quality? Can the German travel 200 miles to and from a football match for 3s.?

As regards methods generally, we must acknowledge in these and all similar statistical inquiries, the measurements possible are only part of what we wish to know. The results are only data which help to the formation of reasoned opinions, and Mr. Barker would have done good service if he had emphasised, in a less controversial manner, the cautions which are to be found in the Report itself, but which are likely to share the fate of such cautions when a writer or speaker anxious for a definite and striking result selects passages for quotation.

The Statistical Data.—So far we have been dealing with matters of opinion; we now come to the gravamen of the attack. Mr. Barker points out that the price of meat (beef, bacon, and pork) rose very considerably in Germany in the year 1905, and was specially high in October of that year, the month to which the statistics relate. The facts are nearly as shown in the following table, which is based partly on official German statistics studied at first hand, partly on Mr. Barker's returns from the German Statistical Bureaus, and partly on the material in the Board of Trade Report itself. These various authorities are perfectly consistent with each other; the only difficulty is to know the relative importance of the original figures and special towns.

PRICES OF BEEF AND PORK IN GERMANY, AND SAUERBECK'S INDEX-NUMBER FOR ANIMAL FOOD IN ENGLAND. AVERAGE FOR 1905 TAKEN AS 100.

German Towns.				Sauerbeck's Index No. Meat, &c. ¹	
	Beef.		Pork.		
1901	88		83 to 91, ² say	85	98
1902	90		88 to 94	90	101
1903	93		82 to 93	85	98
1904	94		77 to 91	85	95
1905	{ 1st quarter, 95	100	{ 87	100	{ 98
	{ 2nd " 95		{ 94		{ 102
	{ 3rd " 105		{ 104		{ 101
	{ 4th " 105		{ 111		{ 99
	October 106		110		"
1906	{ 1st quarter, 104	106	{ 117	112	{ 102
	{ 2nd " 102		{ 107		{ 102
	{ 3rd " 107		{ 112		{ 102
	{ 4th " 111		{ 111		{ 101
	1st quarter, 108		102		102
1907	{ 2nd " 105	107	{ 96	101	{ 102
	{ 3rd " 108		{ 104		{ 102
	{ 4th " 106		{ 101		{ 100
	1st quarter, 105		97		

¹ Butter is included in the quarterly, but not in the annual, averages.

² It is not easy to decide within this range, for there is considerable variety from town to town, and wholesale prices appear not to have changed in proportion to retail.

It is perfectly true, as Mr. Barker shows and as is stated again and again in the Board of Trade Report, that meat prices rose rapidly in the period 1901-5, and that in October, 1905, they were higher than at any previous time. But Mr. Barker omits to point out that the price of beef remained at this height with slight oscillations throughout 1906 and 1907, while the price of pork was higher in 1906 than in October, 1905, and only fell 10 per-cent. in 1907. In England also prices in 1905 were a little higher than in 1903-4, and remained at their level in 1906-7. It thus appears that October, 1905, was in Germany a very fair representative of the two years July, 1905, to May, 1907, for beef, and of $1\frac{1}{2}$ years for pork (which has a smaller importance in the Budgets), and in England for the three years 1905-7.

Mr. Barker's attack then only amounts to the statement that the years 1901-4 would have shown German prices in a more favourable relation than the years 1905-7; but German wages were also lower in the earlier period. In England neither prices nor wages moved so much. There is thus nothing improper in the use of the special date October, 1905, and there was no bias intended or introduced. At the same time ample material is given in the report for making measurements for Germany for earlier and for later dates.

It is further to be noticed that even if a correction had to be made for abnormally high prices it would not make the difference that Mr. Barker implies.

COST OF ENGLISH WORKMAN'S BUDGET (IN PENCE).

	At English prices. Oct., 1905.	At German prices.			
		Oct., 1905.	Average of years.		
			1904.	1906.	1907.
Beef.....	30 $\frac{1}{2}$	37	33	37	37
Pork and Bacon	16	19 $\frac{1}{2}$	15 $\frac{1}{2}$	20 $\frac{1}{2}$	18
Other commodities	138 $\frac{1}{2}$	162	162 ¹	162 ¹	162 ¹
Total	185	218 $\frac{1}{2}$	210 $\frac{1}{2}$	219 $\frac{1}{2}$	217
Index numbers.....	100	118	114	118	117

COST OF GERMAN WORKMAN'S BUDGET (IN PENCE).

	At English prices. Oct., 1905.	At German prices.			
		Oct., 1905.	Average of years.		
			1904.	1906.	1907.
Beef.....	14 $\frac{1}{2}$	18 $\frac{1}{2}$	16	18 $\frac{1}{2}$	18 $\frac{1}{2}$
Pork and Bacon	18 $\frac{1}{2}$	23 $\frac{1}{2}$	18	23 $\frac{1}{2}$	21 $\frac{1}{2}$
Other commodities	107 $\frac{1}{2}$	110 $\frac{1}{2}$	110 $\frac{1}{2}$ ¹	110 $\frac{1}{2}$ ¹	110 $\frac{1}{2}$ ¹
Total	141 $\frac{1}{2}$	152	144 $\frac{1}{2}$	152 $\frac{1}{2}$	150
Index numbers.....	100	108	102	108	106

¹ Prices of other commodities supposed unchanged.

The only visible difference, when 1904 is substituted for October, 1905, is in the case of the German workman making his purchases in England in 1904, when he would save practically nothing; but his wages were lower in 1904 than in 1905.

The effect of the other omission, pointed out both by Mr. Ellis Barker, and in the ECONOMIC JOURNAL (Sept., p. 480), namely, that no allowance is made for the method of purchasing meat without bone or fat, can be tested in a similar way. If we allow 1d. a lb. for this, the Oct., 1905, number would be replaced by that given above for 1904.

Thus the whole of Mr. Barker's tempestuous criticism, even if we admitted its force, as to prices, would amount to the substitution of *one-seventh* or *one-sixth* in the phrase criticised, "An English workman migrating to Germany and maintaining, as far as possible, his own standard of living, would find the cost of rent, fuel, and food raised by *one-fifth*."

Space does not allow detailed examination of the other points raised; some suggest valid cautions: others are unfounded; others depend on extremely involved considerations. On the whole, the violence of the attack is quite unjustified, a very moderate and qualified case is made out, while the difficulties and possible corrections discussed are those that a careful reader of the Report would find sufficiently treated in the Report itself.

A. L. B.

CITY NOTES.

WE have received the following "City Notes" from "R. G." :—

The Money Market.—The condition of the money market remains generally what it was when we wrote three months ago, the *régime* of low rates continuing, but with the bank rate at $2\frac{1}{2}$ per cent. instead of the 2 per cent. which is usually to be expected after a time of commotion such as accompanied the American panic of last year. There has been an exception to the sluggishness of the market towards the end of November, when it was found that, notwithstanding the abundance of money, gold had not been accumulating largely in the Bank, and it became expedient for the banks in London to make the usual arrangements for showing good balances at the end of the month. It seems probable also that the shortness of money will continue to the end of the year owing to the usual requirements of the season aggravated by a general feeling of uneasiness as to the outlook

in the Near East which has sprung up during the last two months. The situation is one in which bankers are disposed to look well to their cash balances, especially when they are rather under, than above, the mark. It appears unfortunate that the great ease of the spring and summer has not been generally availed of by English bankers, and especially by the Bank of England, to place themselves in a stronger position generally. Probably it was thought that the conditions of ease were lasting, and there would be time to accumulate larger reserves before another period of general liquidation like that of 1907 came round. But, as it is, the gold which has been coming to Europe in 1908, mainly to London, has not been retained in London, and the banking systems which have gained are those of New York, Berlin, and Paris, and not London. Hence the incipient trouble at the present time, which makes the market an easy prey to political and other fears.

Where the Gold has Gone.—The remissness shown in England as regards the accumulation of gold reserves during the present year is well shown by a comparison of the accumulations in New York, Berlin, Paris, and London respectively during the twelve months ending about November 25th last.

GOLD RESERVES OF NEW YORK BANKS, BANK OF FRANCE, BANK OF GERMANY, AND BANK OF ENGLAND AT 23RD—25TH NOV., 1908, AND CORRESPONDING DATES IN 1907.

	1908. millions.	1907. millions.	Increase in 1908. millions.
New York Banks	£61	£34	£27
Bank of France	135	108	27
Bank of Germany	57	37	20
Bank of England	35·6	32·2	3·4

Thus out of an increase of nearly 80 millions altogether in the gold reserves of the principal banking centres of the world, London contributes between three and four millions only! No doubt there is great elasticity in the London money market, and measures can be quickly taken at need to bring the reserves up to a sufficient level; but a great opportunity has evidently been lost for steadying the market permanently, just after a capital experience of the dangers of too small a reserve.

Consols.—The condition of the money market is reflected, of course, in Consols, which continue dull, although with really cheap money and slack trade a turn upwards in Consols might have been looked for. That a turn for the better does not come

may be partly explained by the persistent doubts as to whether money can remain steadily cheap without a stronger reserve than is now possessed by the Bank of England. No doubt there are other reasons for the weakness, such as the effect of threatened issues of Irish Land stock, the decline of revenue, and the political uneasiness in the Near East. But a steadily cheap money market would have overcome so far other adverse influences, and that the market is not *steadily* cheaper is certainly to be ascribed to the failure to accumulate gold when there was so much of it about as there was last spring and summer.

The Decline in Trade.—The falling off in imports and exports has continued in the same degree, since we last wrote, as it was manifested in the earlier months of the year. It may be convenient to note *pour memoire* the figures for the ten months of the year ending October, as they show that the remarkable increase of 1907 has been entirely, or in some cases more than entirely, lost. The following are the figures : —

IMPORTS AND EXPORTS (TEN MONTHS ENDING OCTOBER, 1908).

	1908. millions.	1907. millions.	Decrease.	
			Amount in millions.	Per cent. ¹
Imports	£487	£533	£46	9·4
Exports of British and Irish produce	319	358	39	12·2
Exports of Foreign and Col- onial merchandise	64·8	79 1	14·3	22·1

¹ Percentages calculated on the reduced total.

Of course, a large part of this diminution is accounted for by a fall of prices, there being no corresponding change in the quantities of trade; but with all allowances the change is significant of dulness, and corresponds with the striking fall in the revenue and the trade union figures of unemployment. The fluctuation is in accordance with what was to be expected after the boom of 1907, and ought not to be exaggerated, as such fluctuations have been quite periodical for generations; but they are unpleasant incidents of the modern economic system, for which the only cure undoubtedly would be more thrift among all classes when times are good.

War Apprehensions.—There has been so strong a war scare in connection with events in the Near East, that the City, though optimistic, is beginning to realise what a huge economic disaster the outbreak of a great European war would be, quite apart from

the question of who would be the victor or victors in such a war. The great excitement in Vienna, which is nearest the scene of the probable beginning of hostilities, is only a faint shadow after all of what the excitement would be in Berlin, Paris, St. Petersburg, and London, not to speak of other European cities, if anything like a general war on the scale of the Napoleonic campaigns a hundred years ago should break out. Unfortunately such a catastrophe appears to be quite on the cards, and this country could not keep outside the fray.

R. G.

CURRENT TOPICS.

THE dispute in the cotton trade has fortunately been settled, and this time without the intervention of the Board of Trade or any of its officials. The Lord Mayor of Manchester had tried to mediate in the early days of the trouble, but his services were declined by the employers. Finally, informal conciliation by the then Mayor of Salford (Alderman Frankenburg), who was associated throughout the proceedings and at their initiation with the Mayor of Darwen (Mr. Pickup Holden), himself a spinner, led to the acceptance of a compromise by both parties.

THE dispute presents many features of interest. The employers demanded a reduction of the usual 5 per cent. in the wages of spinners and card- and blowing-room operatives on the ground that trade was bad. Many thought their action precipitate in view of the wonderfully good trade which had been enjoyed for the previous three years, but it must be remembered that the beginning of the depression was by far the best time for a strike from the point of view of the employers, and that delay on their part in taking action would have been bad tactics. They, the employers, were perfectly ready to defer the reduction till January, but they were not prepared to defer the definite settlement of the question whether there should be a reduction or not. On the other hand, the operatives were anxious to hang up the whole matter till the New Year, when their strategic position might have been stronger. They offered to take a reduction in January *if the state of trade then warranted a reduction*, but these terms were refused by the employers. No doubt, had they been accepted, disagreement would have arisen in January as to the state of trade in its bearing on wages. Nobody thought of a suitable index which would have determined the point automatically in January, and it is not known whether employers would

have surrendered the certainty of a reduction in wages when they felt pretty sure of their ability to secure one by pressing their demands at once.

FINALLY, the employers presented an ultimatum, which the spinners accepted at the eleventh hour, and the card and blowing-room operatives rejected. Technically, therefore, it appeared as if the card- and blowing-room operatives were striking while the spinners were locked out; but in view of the working agreements between the spinners' union and the union of the card- and blowing-room operatives, it was not perfectly clear what exactly the position of the spinners was. A good deal turned upon the exact position of the spinners because the spinners, as well as the card- and blowing-room operatives, were members of the Federation of Trade Unions, and this federation was under obligations in a dispute of this kind to pay 5s. a week to members on strike but not to members locked out. The payment of the 5s. a week to spinners by the Federation was resisted by the card- and blowing-room operatives, no doubt with the object of bringing the spinners into line. Heated discussion led ultimately to the spinners receiving the 5s. a week and the officials of the Federation assuming a share in the management of the dispute. Hopes of a settlement through the introduction of this third body representative of labour, which, as not directly affected, was expected to take a less partial view, were, however, disappointed. Eventually the officials of the Federation withdrew, and the dispute was allowed to take its course. The terms finally accepted on November 6th, after the spinners had been allowed to cancel their agreement with the employers, were those laid down in the employers' ultimatum, except that the reduction was deferred for another two months.

THUS the operatives are now under agreement to accept a reduction of 5 per cent. in wages on the first pay day next March. The situation will be peculiar if the improvement in trade begins next spring, but anticipatory and retrospective reductions can hardly be avoided when operatives tend to win on strikes in some states of trade and employers in others. No doubt twelve months after next March, which will be the earliest admissible date under the Brooklands agreement, the operatives will demand their 5 per cent. back again and try to enforce it if trade is at all favourable. With an agreement in operation like the Brooklands agreement, which fixes 5 per cent. as the limit of wage advance or reduction at any one time and

twelve months as the time limit between alterations in wages, and in view of trade fluctuations, the dating of wages disputes becomes a matter requiring the most expert generalship. In the recent trouble the spinners showed understanding of the situation in avoiding a strike in a falling market; but actually the strike has done little or no harm to employers or operatives, as stocks had to be worked off, and had there been no complete stoppage short time would have been inevitable.

THE "Anti-Socialist Union of Great Britain," which has recently been formed, proposes "to organise, to combat, and to educate." Its prospectus states that a school for political speakers is in operation already, and that a publication department has been organised. Local centres are being established in the North and Midlands, and district organisations have been formed, while special steps are being taken to start working men's branches. An active part is to be taken in all by-elections at which Socialism is an issue. The headquarters of the Union are at 20, Victoria Street, Westminster. The secretary is Mr. Isaac Lyons, and the chairman of the Executive Committee is Mr. Claude Lowther.

THE Trade Union Congress met at Nottingham this year during the second week in September. There was nothing unusual in its proceedings. The resolution in favour of compulsory arbitration, which appears annually, was much discussed informally among the delegates, but was finally rejected by 1,099,000 votes to 645,000, about the usual majority. The two main arguments which were used against it were that it would deprive trade unions of the power to strike, and that labour would obtain no more than it can already gain by voluntary organisation. A motion was carried that the Old Age Pensions Act would not be satisfactory until it had provided for a *minimum* pension of 5s. a week at the age of sixty. The original resolution contained an expression of thanks to the Government for making a beginning, but the Congress finally decided that such a testimonial would be misinterpreted. The creation of a Ministry of Labour was demanded. It happened that a few days later this demand was supplemented at the Conference of the Associated Chambers of Commerce by a resolution of regret that the Government still delayed in the creation of a Ministry of Commerce. Such incidents as the attack upon the Salvation Army for "sweating" created considerable excitement, but were only of passing importance.

ON October 7th Sir Christopher Furness put before his workmen a striking scheme of co-partnership in the shipbuilding yards of Furness, Withy, and Co. He offered two alternative proposals. The first was that the trade unions should purchase the yards at a price fixed by assessors jointly nominated and work them on a co-operative principle. This offer was not seriously entertained by the men, and was probably put forward by Sir Christopher Furness chiefly to illustrate his argument that capital and enterprise are as necessary to a business as labour. The second alternative was more complicated. The workmen were to become holders of "employees shares." They were to purchase them by a 5 per cent. deduction from their wages until the total value of the shares had been accumulated. On these shares they were (1) to receive 4 per cent. per annum as fixed interest whether the company divided any surplus or not. The effect of many schemes of co-partnership of tying the workmen to a particular business would be avoided, as the shares could be sold at their market value if the workmen left. (2) After deducting 5 per cent. for interest and setting aside sums for the depreciation, reserve and development funds, the sum left was to be divided between holders of employees shares and holders of ordinary shares in proportion to their individual holdings. This is the financial part of the scheme. With it, however, is connected a further scheme for a "works council," which would consider all questions likely to cause a rupture between the directors and the workmen. Sir Christopher Furness's speech is reported in *The Times* of October 8th. It has been issued as a pamphlet, which is reviewed in this number of the JOURNAL.

THE Quarterly Meeting of the Royal Economic Society was held in the rooms of the Royal Statistical Society on the afternoon of Tuesday, November 10th. A paper on "Railway Nationalisation" was communicated by Professor Cohn, who was, unfortunately, unable to assist in person. His paper is printed in the present number of the ECONOMIC JOURNAL. Sir George Gibb dealt with the same subject in a paper which it is hoped will be in the hands of Fellows of the Society simultaneously with, or very soon after, these pages. The general public can obtain copies on payment of 6d. by application to the Secretary at the office of the Society. Mr. Acworth, who was in the chair at the Congress, and other experts took part in the discussion which followed Sir George Gibb's paper. Needless to say that in such an assembly, among the arguments in favour of nationalising the

railways no account was taken of a motive which it is to be feared constitutes in less cultivated circles the principal recommendation of the scheme—the hope of laying hands (without compensation) on a large mass of property. Many of those who had taken part in the debate afterwards adjourned to dinner at a neighbouring restaurant.

THE official paper ordered by the House of Commons to be printed November 11th, 1908 (numbered 321) deserves notice in an economic journal. It consists of “a copy of memorandum by Mr. Alfred Marshall on the Fiscal Policy of International Trade,” written in 1903 at the request of a member of the Cabinet. It has remained for five years in the Treasury, and apparently might have exceeded the Horatian period of suppression—“*nonum in annum*”—had not an allusion to the document in a Parliamentary debate last June led to remarks which have led to the publication of the paper. The reasoning is in accord with the judgments expressed in a letter to the Secretary of the Free Food League, 1893, published in *The Times*, November 23rd of that year and recorded in our issue of December, 1903 (p. 659).

THE picture of Professor Marshall, painted, as announced in our June number, by Mr. William Rothenstein, will be exhibited in the International Exhibition of Sculptors, Painters, and Gravers, which opens next January at the New Gallery in Regent Street. The total number of subscribers to the fund was one hundred and ninety-three. The balance of the fund, after paying the artist's fee, and defraying some incidental expenses, has been applied to the reproduction in photogravure of the picture on terms which will allow of the sale at a low cost of copies “printed before letters” to the subscribers to the original portrait. This work of reproduction was, on the suggestion of Mr. Rothenstein, placed in the hands of Mr. Emery Walker, who has secured an excellent likeness. Arrangements have been made by which a proof upon India paper will be supplied to those subscribers to the original portrait who are desirous to have such for the sum of five shillings (including package and postage). The price to non-subscribers will be £1 1s., and the copies supplied to them will be printed “after letters.”

DOUGLAS KNOOP, M.A. (Manchester), has been appointed to a lectureship in economics at the University of Manchester. The

vacancy was consequent upon the appointment of Mr. H. O. Meredith, M.A., to the Girdlers' Lectureship at Cambridge. Mr. Knoop is Langton Fellow of the University of Manchester. He was placed in the first class in the Honours School of Economics and Political Science in 1905. He has published a volume on American business enterprise (his report as Gartside Scholar), a book on industrial arbitration and some articles. For the last twelve months he has been engaged in wages investigations for the Board of Trade. The appointment to the lectureship in economic history also vacated by Mr. Meredith's resignation, will not be made till the end of the session.

MR. THOMAS JONES has been appointed to a lectureship in social economics, newly established in the University of Glasgow. As a result of the recent ordinance, the subjects for the arts degree are undergoing revision, and it is possible that social economics and social philosophy will be grouped as "cognate subjects" for students who have passed through the ordinary classes in moral philosophy and political economy. Mr. Jones continues to act as senior assistant to Professor Smart.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

OCTOBER, 1908. *The Present Position of Social Legislation in England.* PROF. W. J. ASHLEY. A well-documented exposition of the tasks to which the State is already committed suggests hesitation as to the "two new and enormous undertakings" which are proposed, "the provision of work for the unemployed, and the regulation of wages." But we are not condemned to inaction. Premises in which home work is carried on ought to be better registered; a minimum wage might be prescribed in connection with Government Contracts; perhaps the revision of railway rates, certainly improvements in the machinery of State Control, are required. *Recommendations and Inquiries.* REV. C. F. ROGERS. *Re Almsgiving. The Need for New Cities.* H. CRASKE.

Journal of the Royal Statistical Society.

SEPTEMBER, 1908. *The Improvement of Official Statistics.* A. L. BOWLEY. *On the Probable Errors of Frequency Constants* (continued). PROF. P. Y. EDGEWORTH. *The Social Status of Women Occupiers.* CLARA E. COLLET. "It would be difficult to frame a Bill for the extension of suffrage to women, in which the leisured classes of women were not greatly outnumbered by the working classes." *Changes in the Wages of Domestic Servants during Fifty Years.* W. T. LAYTON. A family record, a domestic agency, and advertisements in newspapers are the principal sources from which are derived indications pointing to a greater rise of wages in domestic service than in other industries during the last three-quarters of a century.

The Nineteenth Century.

NOVEMBER, 1908. *Sweating and Wages Boards.* T. RAMSAY MACDONALD, M.P. "The humanitarian heroics of Wages Boards as a remedy for sweating break down" when faced with the facts of life. *How Switzerland deals with her Unemployed.* EDITH SELLERS.

The Contemporary Review.

OCTOBER, 1908. *Poor Relief in Switzerland.* I. EDITH SELLERS.
NOVEMBER. *Poor Law Reform.* CANON BARNETT.

The Quarterly Review.

OCTOBER, 1908. *Agricultural Cooperation.* "HOME COUNTIES."
Municipal Trade. MAJOR DARWIN.

The Edinburgh Review.

OCTOBER, 1908. *The Free Trade Congress, Protectionist Reaction and the Hop Industry.* Taxes on imported food, however small, will involve the whole principle of Protection—the impoverishment of the labouring classes and the corruption of public life. *Lord Milner and Canadian Preference.* A brief rejoinder to the reply which Lord Milner made in the October number of the *Nineteenth Century* to an article in the July number of the *Edinburgh Review*.

The Socialist Review.

JUNE, 1908. *Socialism and Politics.* H. G. WELLS. The "ignorant, intolerant, insulting type of Socialist is just as much an enemy to the broad charity and spacious constructions of Socialism as the narrowest Individualist alive." . . . "A little precious, orthodox, self-righteous, ill-tempered, and impossible Socialist Party . . . can only delay and confuse." *The Curse of Casual Labour.* W. H. BEVERIDGE. "De-casualisation" by means of the Labour Exchange is advocated. *The Remedy for Unemployment.* A. RUSSELL WALLACE. The Unemployed are to be organised in self-supporting local groups as prescribed in Mr. Herbert Mills' *Poverty and the State*. "The wheat grown for food would employ millers, machinists, sailmakers, bakers, etc., the sheep and cattle supplying meat, . . . and cheese would also, by the intervention of tanners, curriers, saddlers, supply all the leather goods. . . ."

JULY, 1908. *The Waste of Capital.* L. G. CHIOZZA MONEY, M.P. In the years 1862–1906 over 100,000 companies were registered with a nominal capital of £6,781,000,000, of which in 1906 there survived 41,000 companies with £2,000,000,000 capital. Waste . . . of capital also occurs when the initiators of a successful concern transfer the capital to new owners at a premium. Under Socialism more capital should be expended on experimentation.

Women's Industrial News.

SEPTEMBER, 1908. There is included a report of an investigation into the box-making trade instituted by the Women's Industrial Council. The average wage is 10s. a week, depressed by the practice of introducing young learners. The industry is, in a transitional stage, which will terminate, perhaps, in two distinct branches: (1) a small, well-paid, highly-skilled section of pieceworkers; (2) a large unskilled, ill-paid section of machine minders. The same number includes diverging criticisms on the Home Work Committee's Report, by MISS CLEMENTINA BLACK and MR. RAMSAY MACDONALD, M.P.

Journal and Proceedings of the Royal Society of New South Wales.

This scientific Society concerns the economist, as in it the once separate Australian Economic Society is now merged.

Vol. XLII. (1907) includes a paper by our correspondent, Mr. Duckworth, a comparison of the rainfall of Sydney and Melbourne, 1876–1905. The rainfall of Sydney varies from a minimum yearly average of 21.01 inches (1888) to a maximum of 81.42.

The range of Melbourne, as well as the absolute quantity, is less. "The apparent fickleness and severity of our [the Australian] climatic changes introduces as large an element of gambling into our farming as there is in many reckless mining adventures."

The Quarterly Journal of Economics (Boston).

AUGUST, 1908. *Substitutes for Cash in the Panic of 1907*. A. PIATT ANDREW. In most States there was a restriction of cash payments, a use of substitutes, such as "Clearing-house certificates," for settlement between banks or even in payment of their customers' cheques, inaccurately described as payable only through the Clearing-house, much used in the payment of wages, and other devices. The total issue probably amounted to over 500 million dollars. Most of this currency was illegal, but no one thought of prosecuting its issuers. It worked effectively; and doubtless prevented many bankruptcies. *On the Nature of Capital*. THORNSTEIN VETTERS. *The Street Railway Settlement in Cleveland*. E. W. BENNS. *Australian Economic Problems: The Tariff*. VICTOR C. CLARK. The origin and significance of the federal tariff are explained. "It seems likely that protection has come to Australia to remain for an indefinite period." *The National Gold Banks*. G. D. HANCOCK. The history of an unsuccessful monetary experiment, tried under the régime of the greenbacks. *Competitive and Monopolistic Price-making*. HARRY G. BROWN. Price-making, whether monopolistic or competitive, is based on the same general principles.

Political Science Quarterly (New York).

SEPTEMBER, 1908. *The Needs of the Railroads*. L. G. MCPHERSON. *The Crisis and Panic of 1907*. J. F. JOHNSON. *The British Socialist-Labour Party*. EDWARD PORRITT.

The Journal of Political Economy (Chicago).

OCTOBER, 1908. This number includes a criticism by Prof. Achille Loria directed against Prof. Irving Fisher's "Rate of Interest," with a reply by Prof. Irving Fisher.

NOVEMBER. *History of the Employment of Women in the American Cotton-fields*. EDITH ABBOTT. Women were employed in the earliest mills; they were driven out by men. *Depreciation Charge in Railway Accounting*. F. A. DELAND.

Journal des Économistes (Paris).

SEPTEMBER, 1908. *Anciens et nouveaux arguments du Protectionnisme*. G. DE MOLINARI. *Un chapitre de Philosophie Politique*. (L'Association de la Constitution Britannique et le Congrès de 1908.) A. RAFFALOND. *L'étatisme et la science économique*. J. NONCON.

OCTOBER. *L'impôt sur le revenu et la Justice Gratuite*. J. G. HENNAT. *L'étalon Socialiste et l'enseignement d'état*. D. BELLET.

NOVEMBER. *Impossibilité du Socialisme*. G. DE MOLINARI. *La Machine et l'Ouvrier*. E. LE VASSEUR.

Revue d'Économie Politique (Paris).

- AUGUST-SEPTEMBER, 1908. *Les lignes sociales d'acheteurs.* MAX TURMANN. *Les syndicats bourgeois en Belgique.* H. LAM-BRECHTS. *La circulation le crédit et leurs instruments en Égypte* (suite). PIERRE ARMINSON ET BERNARD MICHEL.
- OCTOBER. *L'Expérience Bimétalliste du XIX^e Siècle, et la Théorie Générale de la Monnaie.* B. NOGARO. From the vicissitudes in the relative value of gold and silver in the nineteenth century the author argues against the principle that money is merchandise, and that its value depends on the quantity produced. *La circulation, le crédit et leurs instruments en Égypte* (suite et fin). P. ARMINSON ET B. MICHEL. *La réalité des Surproductions Générales.* A. AFTALION.

Revue Économique Internationale (Brussels).

- SEPTEMBER, 1908. *Les dernières expériences monétaires et la théorie de la dépréciation.* B. NAGARO. The working of the gold-exchange standard in the Philippines does not bear out the supposed connection between shrinkage and rise of value. The classical prescription for depreciated currency is questioned.

Jahrbücher für Nationalökonomie (Jena).

- AUGUST, 1908. *Die heutigen kommunistischen Gemeinden in Nordamerika.* Continuation and conclusion. *Die sozialpolitische Bedeutung des technischen Fortschrittes.* K. DIEHL.
- SEPTEMBER. *Geschichte der Grundherrschaft in Oberitalien.* G. CARO. *Die Besteuerung der Börsengewinne.* F. PABST.
- OCTOBER. *Die australasische Gemeinde.* R. SCHACHNER.
- NOVEMBER. *Die Gartenstadtbewegung.* H. KAMPPMEYER. Garden cities in England and Germany are described. *Zur Finanzreform in Deutschland.* J. CONRAD.

Zeitschrift für die gesamte Staatswissenschaften (Tübingen).

- NOVEMBER, 1908. *Kritisches und Positives zur Preislehre.* I. OTTO ZWIEDINECK. [In a first article of some seventy pages the learned writer discusses Subjectivism and Objectivism in the doctrine of price; the one incomplete, the other liable to error.] *Die Finanzen der Grossmächte.* DR. J. PLENGE. A critique of Dr. F. Zahn's book (Berlin, Heymann).

Jahrbuch für Gesetzgebung (Leipzig).

- HEFT 4, 1908. *Die deutsche Geldverfassung und ihre Reform.* H. SCHUMACHER-BONN. *Die Trust und Kartellentwicklung in Grossbritannien und ihre Beziehungen zum Freihandel.* H. LEVY. And other noteworthy articles.

Zeitschrift für Volkswirtschaft (Vienna).

- HEFT 4, 1908. This number includes an address by Prof. Knapp on his Theory of Money (noticed in ECONOMIC JOURNAL, vol. xvi.) in relation to Austrian experience. He refers again to the Austrian and the Russian methods of securing stability in the Exchanges.

HEFT 5. This number includes an article by Richard Lieben, the surviving author of the well-known mathematical *Theorie des Preises* (1889), on the multiple intersection of supply and demand curves, with reference to which the writer handsomely acknowledges the priority of Professor Marshall.

Ekonomisk Tidskrift (Stockholm).

The OCTOBER number includes an attack by Mr. Brock, whose communication is dated from London, on the accepted view of the relation of retail to wholesale price-variations. It is contended that retail prices follow upward movements in wholesale prices with readiness, but do not manifest a like alacrity in the case of downward movements. Some statistical data in support of the view are presented, and it would appear that the point raised is worthy of examination.

Giornale degli Economisti (Rome).

AUGUST, 1908. *Questioni economiche della Calabria*. L. A. CAPUTO. *Legge agrarie restrittive nel settecento italiano*. G. ANAS. *Indici del movimento naturale della popolazione*. G. MORTARD. *Il metodo ordinario di Calcolo del costo di produzione dell' uomo*. G. SENSINI.

SEPTEMBER. *Il primo congresso internazionale del libero scambio*. E. GIRETTI. An account of the Free Trade Congress held this summer under the auspices of the Cobden Club, by one who was a great part thereof. *Una generalizzazione del concetto d'ofelimita*. V. FURLAN. The phenomena of choice are symbolically expressed. *Il ministro della produzione nello stato collettionista*. E. BARONE. Production in a régime of collectivism is discussed with the aid of mathematics. *La teoria dell'astinenza*. N. RICCI. The importance and difficulty of the conception "abstinence" are shown.

OCTOBER. *Il primo congresso . . .* E. GIRETTI. Continued from the preceding number and concluded. *Il ministro della produzione . . .* E. BARONE. This continuation concludes the mathematical exposition of collectivist industry; to be followed by a "translation—necessarily imperfect—into ordinary language." *La legge dei piccoli numeri*. E. BORTKIEWICZ. The discoverer of the law of small numbers offers some explanation with reference to Dr. Gim's criticism of the law in a former number. *L'Egitto amministrato dagli Inglesi*. V. PANELLA.

NOVEMBER. *Altre crisi economiche in vista*. N. TREVISONNO. The conducts of banks of issue and institutions of "crédit mobilier" in Italy and elsewhere leads the author to foresee new economic crises. *La teoria dell' astinenza*. N. RICCI. The views of Jevons, Marshall, Böhm Bawerk, Irving Fisher, and other authorities respecting future goods are discussed in this continuation of the article in the September number of the *Giornale*. *I comuni e le abitazioni popolari in Germania*. R. BADAGLIO. The action of German municipalities with respect to the taxation of unearned increment, the building of houses, &c., are set forth in this continuation of an article in the July number of the *Giornale*. *Indici di simpatia nella scelta matrimoniale*. G. MORTARA. A study in correlation. *Il Sindacalismo Belga*. I *Sindacati di Verviers*. G. FRANÇOIS. Referring to Prof. Dechesnes' recent works.

NEW BOOKS.

ALDEN (P., M.P.) and HAYWARD (E.). *The Unemployable and Unemployed. Social Service Handbooks, No. 4.* London: Headley. 1s. net.

ALDERSON (A. W.). *The Extinction in Perpetuity of Armaments and War.* London: King. 1908. Pp. 213.

BELL (REV. G. M.), Editor. *Social Service. A handbook for workers and visitors in London and other large towns.* London: Longmans. 1s. 6d.

BERNARD (H. M.). *The Scientific Basis of Socialism. Two essays in Evolution.* London: New Age Press. 1s. net.

BOYD (R. RALSTON). *The World's Tariffs and the British System of State Aid to Competing Imports.* London: "Pall Mall" Press. 1908. Pp. 218.

[By the author of *The Fiscal Question Simplified* . . . (1907) and other Protectionist writings; Vice-President of the Society for the Preservation of British Industries and for increase of employment by means of better adjustment of import tariffs.]

BRENTANO (PROF. L.). *The Industrial Organisation of Germany under the Influence of Protection.* London: Cobden Club. 1908. Pp. 22. 3d.

[This is a paper prepared for the International Free Trade Congress, though not included in the Report of the Congress.]

BRIGHT (JOHN) and ROGERS (JAMES E. THOROLD), Editors. *Speeches on Questions of Public Policy.* Fifth Impression. Two vols. London: Unwin. 7s.

BROADHEAD (H.). *State Regulation of Labor and Labor Disputes in New Zealand.* London: Whitcombe and Tombs. 1908. Pp. 230. 7s. 6d. net.

CARNÉGIE (ANDREW). *Problems of To-day. Wealth—Labour—Socialism.* London: Allen. 1908. Pp. 194.

COOPER (SIR W. E.). *Socialism and its Perils.* London: Nash. 2s. 6d.

CHISHOLM (G. C.) *Handbook of Commercial Geography, with an additional chapter on Trade Routes.* London: Longmans. 12s.

CLAIR (O. ST.). *Low Wages and No Wages. An Essay on the Economic Causes of Poverty, Unemployment, and Bad Trade.* London: Sonnenschein. 2s. 6d.

[Reviewed above.]

DAVENPORT (H. J.). *Value and Distribution. A Critical and Constructive Study.* London: Unwin. 15s. net.

DAWSON (W. HARBUTT). *The Evolution of Modern Germany.* London: Fisher Unwin. 1908. Pp. 497.

[The work purports neither to disparage nor glorify the Germans. As industrial rivals they will be checked only by the rise of prices in Germany.]

DEARLE (N. B.). *Problems of Unemployment in the London Building Trades.* London: Dent. 1908. Pp. 195.

[A realistic study, the result of a personal investigation instigated by the Toynbee Trustees. In an appreciative introduction, Mr. L. L. Price describes the writer as fortunate in the selection and successful in the handling of his theme.]

FAY (C. R.). *Coöperation at Home and Abroad*. London: King. 1908. Pp. xvi + 408. 10s. 6d. net.

[Reviewed above.]

FORDHAM (M.). *Mother Earth, a Proposal for the Permanent Reconstruction of our Country Life*. London: Openroad. 1908. Pp. 157. 1s. net.

FREE TRADE CONGRESS. *Report of the Proceedings of the International Free Trade Congress*. London: Cobden Club. 1908. Pp. 652.

FURNESS (SIR CHRISTOPHER, M.P.). *Industrial Peace and Industrial Efficiency. Proposals submitted by Sir Christopher Furness, M.P., to a conference of Trade Union representatives*. West Hartlepool: Malton. 1908. Pp. 40.

[Reviewed above.]

GARDEN CITY ASSOCIATION. *Town Planning in Theory and Practice*. Letchworth: Garden City Press. 1908.

GARNIER (R. M.). *Annals of the British Peasantry*. London: Swan Sonnenschien. 1908.

Goss (C. W. F.). *A Descriptive Bibliography of George Jacob Holyoake. With a brief sketch of his life*. London: Crowther and Goodman. 5s. net.

GRAY (B. KIRKMAN). *Philanthropy and the State; or Social Politics*. Edited by Eleanor Kirkman Gray and B. L. Hutchins. London: King. 1908. Pp. 339.

[It is maintained that "private philanthropy cannot provide a remedy for widespread want which results from broad and general social causes." The work left incomplete by the sudden death of the author has been rendered clear and readable by the care of Mrs. Gray and Miss Hutchins.]

HASLACH (DR. W.). *A History of the English Agricultural Labourer*. Newly edited by the author and translated by Ruth Kenyon. With a Preface by Sidney Webb. London: King. 1908. Pp. 470.

[The first edition appeared in German in 1894.]

JOHNSON (MAJOR A. G.). *Leisure for Workmen and National Wealth*. London: King. 1908. Pp. 242.

[The writer's point of view is indicated by the dedication to Robert Scott Moffatt, whose work, *The Economy of Consumption*, is regarded by our author, as "the Gospel of Industry."]

LAUNAY (L. DE). *The World's Gold*. Translated by O. C. Williams. London: Heinemann. 6s. net.

LEFTWICH (B. R.). *A History of the Excise*. London: Simpkin, Marshall.—1908. Pp. 172. 2s. 6d.

LEROY-BEAULIEU (PAUL). *Collectivism*. London: Murray. 7s. 6d. net.

[The secondary title "A Study of some of the Leading Social Questions of the Day" is described by this presentation of the eminent French economist's weighty reflections.]

LOWENFIELD (HENRY). *Investment an Exact Science*. Enlarged and revised edition. London: Financial Review of Reviews. 1908. Pp. 159.

[The book, one of several published under the same auspices, sets forth the "Geographical Distribution of Capital"; the principle that by splitting up capital among "a number of investments similar in quality, yet whose price movements are all governed by different influences," risk is minimised.]

MARRIOTT (H.). *The Fixing of Rates and Fares. With an introduction by Prof. Chapman.* Westminster: Railway Gazette. 2s. net.

MASUDA (T.). *Japan, its Commercial Development and Prospects.* London: Sisley. 1908. Pp. 127. 2s. 6d. net.

MEINERTZHAGEN (GEORGINA). *From Ploughshare to Parliament. A Short Memoir of the Potters of Tadecaster.* London: Murray.

PAGET (SIR JOHN, BART., K.C.). *The Law of Banking.* Second edition. London: Butterworth. 12s. 6d. net.

PIGOU (PROF. A. C.). *Economic Science in Relation to Practice.* London: Macmillan. 1908. Pp. 32. 1s.

[The inaugural address of the new Professor of Political Economy in the University of Cambridge.]

PRATT (E. A.). *Railways and Nationalization.* London: King. 1908. 2s. 6d. net.

RAINE (G. E.). *Present-day Socialism, and the Problem of the Unemployed.* London: Nash. 6s. net.

REA (RUSSELL, M.P.). *Free Trade in Being.* London: Macmillan. 1908. Pp. 237. 2s. 6d.

[A collection of articles, letters, and lectures including the author's Address to the International Free Trade Congress, August, 1905, and a correspondence with Professor Pigou on the Incidence of Protective and Preferential Duties.]

REPORT OF THE PROCEEDINGS AT THE SEVENTH CONGRESS OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE. Held at Cremona, September 22nd to 25th. 1907. London: The International Co-operative Alliance.

ROBERTSON (JOHN M., M.P.). *Trade and Tariffs.* London: Black. 3s. 6d. net.

SAMUELSON (JAMES). *The Lament of the Sweated.* London: P. S. King and Son. 1908. Pp. 80. 1s. net.

[Contains a not over-coloured picture of some of the worst forms of sweating, and a popular and eulogistic account of the Report of the Committee on Home Work.]

SAUERBECH (A.). *The Course of Average Prices of General Commodities in England.* London: King. 1908. 1s.

[The celebrated Index-number is here presented in a very accessible form. A zigzag curve connecting tops of ordinates representing the index-numbers for each year is traversed by a "hand-drafted average line of movements." A table gives average index-number for periods of ten years, as thus: '98—1907 = 71, '97—1906 = 70, '96—1905 = 68.]

SCARISBRICK (J.). *Beer Taxation (Colonial and Foreign).* London: Whitehead. 3s. 6d.

SKINNER (T.). *The London Banks and Kindred Companies.* London: Office. 1908. 10s.

SMITH (C. D.). *Socialism: A Solution and a Safeguard. Open Letters to Mr. J. St. Loe Strachey.* London: Fiffeld. 6d.

*SMITH (J. C.). *Money and Profit Sharing, or the Double Standard Money System.* London: Kegan Paul. 7s. 6d. net.

SPENCER (M.). *Social Degradation. A Study in Poverty.* London: Student Christian Movement. 1s.

SYKES (ERNEST). *Banking and Currency*. With an Introduction by F. E. Steele. Second edition. London: Butterworth.

TOYNBEE (ARNOLD), THE LATE. *Lectures on the Industrial Revolution of the Eighteenth Century in England*. Popular addresses, notes, and other fragments. New edition, together with a reminiscence by Lord Milner. London: Longmans. 2s. 6d. net.

[Reviewed above.]

TRADES FOR LONDON BOYS AND HOW TO ENTER THEM. London: Longmans. 1908. Pp. 170.

[Compiled by the Apprenticeship and Skilled Employment Association, the object of which is the promotion of thorough industrial training for boys and girls by various methods.]

TUCKWELL (G.) AND SMITH (C.). *The Worker's Handbook*. London: King. 1908. 3s. 6d.

[The infant, education, housing, dangerous trades, compensation and help in distress are among the subjects handled.]

VARGHA (JULIUS DE). *Hungary: a Sketch of the Country, its People, and its Conditions*. Budapest: Athenæum. 1908. Pp. 81.

[The Agriculture, Commerce and Credit, and other economic and political aspects of the Hungarian kingdom are lucidly presented by the Director of the Central Statistical Office.]

WATSON (N. L.). *The Argentine as a Market*. London: Manchester University Press. 1908. 1s. net.

WILLIAMS (W. M. J.). *The King's Revenue, being a Handbook to the Taxes and the Public Revenue*. London: King. 1908. Pp. 221.

BAILEY (L. H.). *The State and the Farmer*. New York: Macmillan. 1908. Pp. xii + 177.

[A survey of the problems of American rural life, social and economic rather than technical.]

CARNEGIE FOUNDATIONS FOR THE ADVANCEMENT OF TEACHING. *The Financial Status of the Professor in America and in Germany*. New York. 1908. Pp. x + 101. Gratis.

DAVENPORT (H. J.). *Exercises in Value Theory*. Chicago: University Press. 1908.

DONDLINGER (DR. PETER TRACY). *The Book of Wheat. An Economic History and Practical Manual of the Wheat Industry*. New York: Orange Judd Co. 1908. Pp. 369.

[About half the book relates to technical matters, crop rotation, fertilisers, insect enemies, etc.; half to more strictly economic subjects, transportation, marketing, prices, consumption, etc.]

ECONOMIC COÖPERATION AMONG NEGRO AMERICANS. Atlanta, Ga.: University Press. 1908. \$1.

EWART (J. S.). *The Kingdom of Canada, Imperial Federation, the Colonial Conferences, the Alaska Boundary, and Other Essays*. Toronto: Morang. 1908.

GARDNER (P.). *The Gold Coinage of Asia before Alexander the Great*. New York: Frowde. 1908.

HEILMAN (RALPH E.). *Chicago Traction. A Study of the Efforts of the Public to secure good service.* (American Economic Association.) Princeton: American Economic Association. 1908. Pp. 98.

HUNTER (ROBERT). *Socialists at Work.* New York: Macmillan Co. 1908. Pp. 374.

IDEAL COMMONWEALTHS, comprising More's Utopia, Bacon's New Atlantis, Campanella's City of the Sun, and Harrington's Oceana, with introduction by H. Morley. New York: Lamb. 1908. Pp. xiv + 416. \$1.75.

KIDD (B.). *Individualism and After.* New York: Frowde. 1908.

KIRKBRIDE (F. B.) AND STERRETT (J. E.). *The Modern Trust Company.* New York: Macmillan. 1908. \$2.50 net.

LEE (GERALD STANLEY). *Inspired Millionaires.* Northampton (Mass.): Mount Tom Press. 1908. Pp. 308.

[Reviewed above.]

MAGOFFIN (R. V.). *A Study of the Topography and Municipal History of Praeneste* (Johns Hopkins Univ. Studies). Baltimore: J. H. U. Press, 1908. Pp. 101.

MILL (JOHN STUART). *Principles of Political Economy; with Special Introduction by Arthur T. Hadley.* Two vols. New York: Lamb. 1908. Pp. xviii + 460; 480. \$3.50.

NEARING (SCOTT) AND WATSON (FRANK). *Economics.* New York: Macmillan Co. 1908. Pp. 499.

[A text book designed to "present the phases of economic thought in a clear and impartial manner," rather than to propound new theories.]

ODUN (H. W.). *The Black Man in the South: A Study of Negro Life in Southern Towns.* New York: Neale Publishing Co. 1908. \$2.

PHELAN (R. V.). *Financial History of Wisconsin* (Bulletin of the University of Wisconsin). Published at Madison. 1908. Pp. 475.

[An academic thesis dealing with the property tax, the poll tax, and other varieties of impost.]

ROWE (L. S., PH.D.). *Problems of City Government.* New York: Appleton. \$1.50 net.

SELIGMAN (PROF. E. R. A.). *The Crisis of 1907 in the Light of History.* (Introduction to "The Currency Problem and the Present Financial Situation.") New York: Columbia University Press. 1908. Pp. xxvii.

[The essential cause of a crisis is the discrepancy between investments and returns. Before the late crisis capital had been invested more rapidly than its immediate returns warranted. There were mitigating circumstances: the abundance of gold and the action of Trusts.]

SOCIALISM. *The Case against Socialism.* New York: Macmillan. 1908. Pp. 537. \$1.50.

STONE (A. S.). *Studies in the American Race Problem.* New York: Doubleday. 1908.

TERRY (H. L.). *India-rubber and its Manufacture, with Chapters on Gutta-Percha and Balata.* New York: D. Van Nostrand. 1908. \$2 net.

THOMPSON (S.). *Cost, Capitalization, and Estimated Value of American Railways: an Analysis of Current Fallacies*. Third edition. Chicago: Author. 1908. Pp. vii + 180. 50 cents.

TOWLES (J. K.). *Factory Legislation of Rhode Island*. (American Economic Association.) Princeton. (London: Swan Sonnenschein.) 1908. Pp. 119. \$1.

WARE (S. L.). *The Elizabethan Parish in its Ecclesiastical and Financial Aspects*. (Johns Hopkins Univ. Studies.) Baltimore, Md.: J. H. C. Press. 1908. Pp. 93.

WARNER (DR. AMOS G.). *American Charities*. Revised by Dr. Mary R. Coolidge. With a Biographical Preface by Prof. G. E. Howard. New York: Crowell. 1908. Pp. 570.

[The revisor, an ex-Professor of Sociology, has brought these annals of the poor up to date.]

WHITE (H.). *Money and Banking*. Revised and continued to the year 1908. Third edition. Boston: Ginn. 1908. Pp. vi + 465.

WHITIN (H.). *Factory Legislation in Maine*. (Columb. Univ. Studies.) New York: Longmans. 1908. Pp. 145. \$1.

ACKER (P.). *Œuvres sociales des Femmes*. Paris: Plon-Nourrit. 1908. 3.50 fr.

ARMINJON (PROF. PIERRE) AND BERNARD (MICHEL). *La circulation, le crédit, et leurs instruments en Égypte*. Paris: Larose, 1908. Pp. 85.

[Extracted from the *Revue d'Économie Politique*.]

CAVAIGNAC. *Études sur l'histoire financière d'Athènes*. Paris: Fontemoing. 1908. 10 fr.

COURCELLE-SENEUIL (J. L.). *Protection ou libre échange*. Paris: F. Alcan. 1908. 1 fr.

GAUTHIER (A. E.). *La réforme fiscale par l'impôt sur le revenu*. Paris: Alcan. 1908. 3.50 fr. net.

LANDRY (A.). *Manuel d'économie*. Paris: Giard et Brière. 1908. 12.50 fr.

LEROY-BEAULIEU. *De la colonisation chez les peuples modernes*. 6e ed. augm. 2 vols. Paris: F. Alcan. 1908. 20 fr.

NEWMARCK (ALFRED). *Capital et revenu des valeurs mobilières en France*. Paris: Alcan. 1908. Pp. 27.

[This extract from the *Rentier* contains the author's well-known statistics of incorporeal property. The funds, stocks and shares (*titres mobiliers*), French and Foreign, belonging to French capitalists at the end of 1906 amounted in all to about £4,000,000,000. The total income amounted to about £180,000,000. The taxation on this kind of property is heavier in France than elsewhere.]

BENDIXEN (DR. F.). *Das Wesen des Geldes*. Leipsic: Duncker und Humblot. 1908. Pp. 60.

[The author is in general agreement with Knapp, who is a supporter of the gold standard, on grounds of political necessity.]

DRÖSSER (ELLINOR). Schwefelsäurefabrikation. (Technisch-Volkswirtschaftliche Monographien.) Leipsic.

GROSSMAN (R.). Glasindustrie. (Technisch-Volkswirtschaftliche Monographien.) Leipsic: Klinkhardt. 1908. Pp. 121.

GRÜNZEL (J.). System der Verkehrspolitik. Leipzig: Duncker und Humblot. 1908. Pp. 412. 8.40 m.

HILBERT (DR. HANS). Die Kapitalanlagen der deutschen privat-versicherungsgesellschaften. Jena: G. Fischer. 1908. Pp. 210.

[Aptly described in a secondary title as "eine banktechnische Studie."]

KÖPPE (DR. H.). Der Arbeitsaufvertrag als Gesetzgehangproblem. Jena: Fischer. 1908. Pp. 395.

[The author laments that in Prussia wage-contracts and the regulation of labour by wages-boards do not play the part they do in England. Consequently, while in England in 1899-1906 the number of strikes tended to decline, in Prussia the exact opposite occurred. He advocates the adoption into the Prussian legal system of wage-contracts, wages-boards, and boards for industrial arbitration. The book aims at showing how the law could regulate wage-contracts and give them an official stamp, and what beneficial results such a policy would have for Prussian industry.]

LERCH (DR. E.). Der Bernische Kommerziendat im 18 Jahrhundert. Tübingen: Laupp. 1908. Pp. 160.

[The twenty-sixth *Ergänzungsheft* of the *Zeitschrift für die gesamte Staatswissenschaft*. The policy of the Bern Chamber of Commerce with respect to finance, protection, regulation of labour, and other economic interests is instructively set forth.]

NACHOD (DR. WALTER). Treuhänder und Treuhandgesellschaften in Grossbritannien, Amerika und Deutschland. Tübingen: Laupp. 1908. Pp. viii + 149.

[A comparative study of Trustees and Trust Companies in the principal countries, clear and well arranged. In England the work of the trustee, the work of securing the rights of holders of foreign bonds (Council of Foreign Bondholders), and the work of auditing (Institute of Chartered Accountants) are separate. In America much the same conditions prevail, save that trusteeship is generally vested in companies and that these companies work for profit, participating largely in banking activities. In Germany the trust companies partake of the nature of American companies, and combine the three activities which in England are separate.]

PHILIPPOVICH (PROF. E. VON). Grundriss der Politischen Oekonomie. Zweiter Band. Volkswirtschaftspolitik. Erster Theil. Vierte neu bearbeitete Auflage. Tübingen: Mohr. 1909. Pp. 343.

[In this new edition of the first part of his *Economic Policy*—an extract from the introductory volume of the stupendous *Handbuch des Öffentlichen Rechts*—there is a change of arrangement as well as matter. Three books are devoted respectively to Agrarian Policy, Industrial Policy, and the Policy of External Trade; the last including a balanced statement of the pros and cons. of Free Trade and Protection.]

SCHUMPETER (DR. JOSEPH). Das Wesen und der Hauptinhalt der theoretischen Nationalökonomie. Leipzig: Duncker und Humblot. Pp. 626.

• AVEBURY (LORD). Le industrie dello Stato e dei Municipi. Versione dall' Inglese con note et aggiunte di A. Geisser. Rome: Soc. ed. Laziale. 1908. Pp. 335.

[A critical examination of the Italian law of March 29, 1903, forms one of the principal additions to the translation of Lord Avebury's treatise.]

BENEDEUCE (ALBERTO). Della Natalità. Studio di demografia comparata. Rome: G. Berten. 1908. Pp. 152.

[A reprint of articles which appeared in the *Giornale degli Economisti*, 1907-8. Both the results and the methods seem important.]

JEVONS (STANLEY). Economia politica tradotta cura del Luigi Corsa. Sesta ed. riv. Milano: U. Hoepli. 1908. Pp. xv+180.

NINA (L.). Principi fondamentali di statistica. Torino: Fratelli Bocca. 1907. Pp. 182. 3.50 l.

PEROZZO (LUIGI). Ricerche demografiche fondate sul calcolo delle variazioni. Turin: V. Bona. 1908. Pp. 11.

[The author applies the calculus of variations to determine the function proper to represent the correlation between the ages of husbands and wives.]

RIGNANO (E.). Le Matérialisme historique. Bologna: Zanichelli. Pp. 23.

[The doctrine in question is countenanced by the frequent inefficacy of laws, and is important; but it involves the contradiction that the struggle of classes is the supreme law of history, while yet the action of the combatants can never influence economic development.]

TORLONIA (DR. CARLO). Le Dottrine Finanziarie di F. V. Duverger de Forbonnais. Roma: B. Lux. 1908. Pp. 114.

[A study of Forbonnais' principal work, *Recherches et considérations sur les finances de France depuis 1595, jusqu'en 1721*, published 1758.]

